

# *City of Muscatine, Iowa*



*Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2006*

**CITY OF MUSCATINE, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**SUBMITTED BY:**  
**FINANCE DEPARTMENT**  
**CITY OF MUSCATINE, IOWA**

**Nancy A. Lueck**  
**Finance Director**

**Cover:**

“Mississippi Harvest” sculpture by artist Erik Blome.

This sculpture was placed on the Muscatine riverfront in May, 2006, completing Phase I of the City’s “Pearl of the Mississippi Project”.

**Photo by:**

Dan Beenen

## CITY OF MUSCATINE, IOWA

### Comprehensive Annual Financial Report For the Year Ended June 30, 2006

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## FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 6, 2006

Iowa law requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Muscatine for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Muscatine's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the compliance section of this report.

### Profile of the Government

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the state of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 17 square miles and serves a population of 22,697 people. The City is empowered to levy a tax on all property located within its boundaries.

The City operates under the mayor-council form of government and has a City Administrator. Policy-making and legislative authority are vested in a mayor and seven council members. The city council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms and the mayor is elected to serve a two-year term. Five of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services including police and fire protection; roadway maintenance; water pollution control; solid waste management; recreational and cultural activities and facilities; and a general aviation airport.

The City Council is required to hold a public hearing on and adopt a budget for each fiscal year no later than March 15<sup>th</sup> of the preceding year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of six governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rate and approves any debt issuance. MP&W is a municipal utility which provides water, electric and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the Mayor and approved by Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

## **Local Economy**

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of Bandag Incorporated, makers of pre-cured tire tread rubber, and HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include Heinz USA, food processing; Monsanto Company, herbicides and plastics; BT Prime-Mover Inc., front-end loaders, etc.; Grain Processing Corporation, corn distillates and feed; and Stanley Consultants Inc., consulting engineers and architects. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten years ranged from 2.7% to 4.5% with the rate for 2005/2006 at 4.2%. Muscatine Power and Water, the City of Muscatine's municipal light, water and communications utility, operates the largest municipal power plant in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The City's Water Pollution Control Plant has undergone renovation over the years and currently has the capacity to triple the volume of

wastewater it treats with only marginal increases in operating expenditures. The City operates a general aviation airport and has excellent railroad service provided by the Iowa, Chicago & Eastern (IC&E) Railroad.

All of these elements provide an excellent atmosphere for continued economic stability and growth.

### **Long-term Financial Planning**

In 2005/2006 the City of Muscatine completed construction on projects included in Phase I of the Pearl of the Mississippi Project. This project consisted of eight components that provided new and upgraded facilities for community residents and visitors alike. Included in the overall \$9.6 million project were a new aquatic center, marina improvements, boat launch relocation, a new skate park, Riverview Center renovation, bike and walking trail extension, community art and an environmental learning center. The City committed to approximately \$1 million of the \$9.6 million in total project costs with the majority of funds coming from local corporations, foundations, businesses, and individuals. The City also was awarded a \$1 million State of Iowa Community Attractions and Tourism (CAT) grant to fund the Pearl of the Mississippi Project.

Construction began and was completed on Pearl II of the Pearl Project which includes an interactive water feature, a pedestrian plaza and landscaping enhancements along the riverfront. This improvement compliments the recently completed "Pearl of the Mississippi" Project. Financing for the project was provided by significant corporate and private contributions as well as city bond proceeds.

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. On August 4, 1998, Muscatine voters overwhelmingly approved the renewal of the 1% local option sales tax for another five years to continue funding sewer projects. In January 2003, voters approved using up to 10% of the local option tax for the Pearl of the Mississippi Project effective April 30, 2003.

On January 27, 2004, voters again overwhelmingly approved extending the local option sales tax for an additional five years. The proceeds will continue to be allocated 90% for sewer projects and the remaining 10% for the Pearl of the Mississippi Project. The 1% local option sales tax raises approximately \$2 million each year. This effort demonstrates the community's commitment to a sound municipal infrastructure to enhance the quality of life and to encourage economic development activities.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. Land acquisition for the building restriction line began in 2005/2006 and will continue in 2006/2007. Future projects include pavement maintenance projects, equipment purchases and construction of a parallel taxiway for the crosswind runway.

In recent years the City of Muscatine was required to address funding reductions to the City's General Fund as a result of reductions in funding from the State of Iowa which began in 2003/2004 and continued in 2004/2005. The state eliminated approximately \$360,000 in annual funding to the City of Muscatine beginning in 2003/2004 and an additional \$70,000 annually was eliminated in 2004/2005.



In response to these factors, the City made a number of significant budget changes which included personnel reductions, funding transfers and consolidation of services. Full-time equivalent employees in the General Fund are fifteen (15) less than what was included in the original 2003/2004 budget. As directed by Council these reductions were done, when possible, by not filling a number of positions as they came vacant either by retirement or attrition. Nine (9) of these positions were eliminated when the City of Muscatine and Muscatine County combined their emergency dispatch services effective in September, 2004. City dispatcher positions were transferred to Muscatine County positions and the City pays 45% and the County pays 55% of the operating costs of the combined system. This change resulted in an annual savings of \$140,000 in General Fund expenditures of the City. The 2005/2006 year was the first full fiscal year for the combined system. Both entities have and will continue to benefit both financially and operationally by combining their dispatch services.

### **Relevant Financial Policies**

The City's budget policies provide that the City's unreserved General Fund balance be at least 10% of budgeted General Fund expenditures. The unreserved General Fund balance at June 30, 2006 was \$1,715,921 which was 13.9% of General Fund expenditures. This unreserved balance was \$18,253 higher than the prior year unreserved balance. General Fund revenues for the year, however, included \$275,840 in one-time revenues from the sale of two City properties.

For the 2006/2007 budget taxable property values increased by 5.8% which will provide \$294,000 more in tax funding from the general fund tax levy which has been at the maximum rate of \$8.10 per \$1,000 of valuation in all recent years. This was the largest annual increase in taxable property value in the last ten years.

The effects of the changes implemented by City Council in previous years reducing the General Fund workforce and combining services with Muscatine County will be continued to be realized during the 2006/2007 year. These changes in combination with the increase in taxable property valuations, has the City in a better position to address future funding requirements for the provision of General Fund services.

### **Major Initiatives**

The City continues to strive to make significant capital improvements to the City's infrastructure and facilities. Major budget initiatives for 2006/2007 include (1) completion of Phase II of the Pearl of the Mississippi Project; (2) completion of the new East 5<sup>th</sup> Street bridge; (3) planning for a comprehensive street improvement program; (4) construction on several major sewer projects included in the third 5-year plan for the sewer projects to be funded from local option sales tax revenues; (5) completion of the Highway 61 Business Route corridor study; and (6) completion of the Water Pollution Control Plant (WPCP) comprehensive study. The corridor study will be used to plan future projects along the Business 61 route related to vehicle and pedestrian traffic flow, intersection enhancements, linking the recently revitalized riverfront area to the downtown, and flooding impacts. The WPCP study will be used to plan for improvements to the plant and plant processes over the next 20-25 years.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muscatine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the 12th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2006/2007. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2006/2007 budget was the 22nd consecutive year that the City of Muscatine has received the GFOA's Award for Distinguished Budget Presentation. The GFOA's Distinguished Budget Presentation Award is good for a period of one year. The City of Muscatine plans to submit its budget document for the 2007/2008 fiscal year to the GFOA to again be considered for this award.

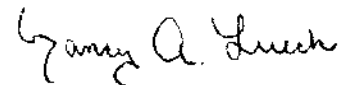
In regard to the preparation of this report and the accounting activity throughout the year in the Department of Finance and Records, we would like to express our appreciation to all members of this department for their assistance and contributions for this endeavor. Also appreciated is the continued interest and support by the members of the City Council in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to Eide Bailly LLP for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,



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A.J. Johnson  
City of Administrator



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Nancy A. Lueck  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muscatine  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



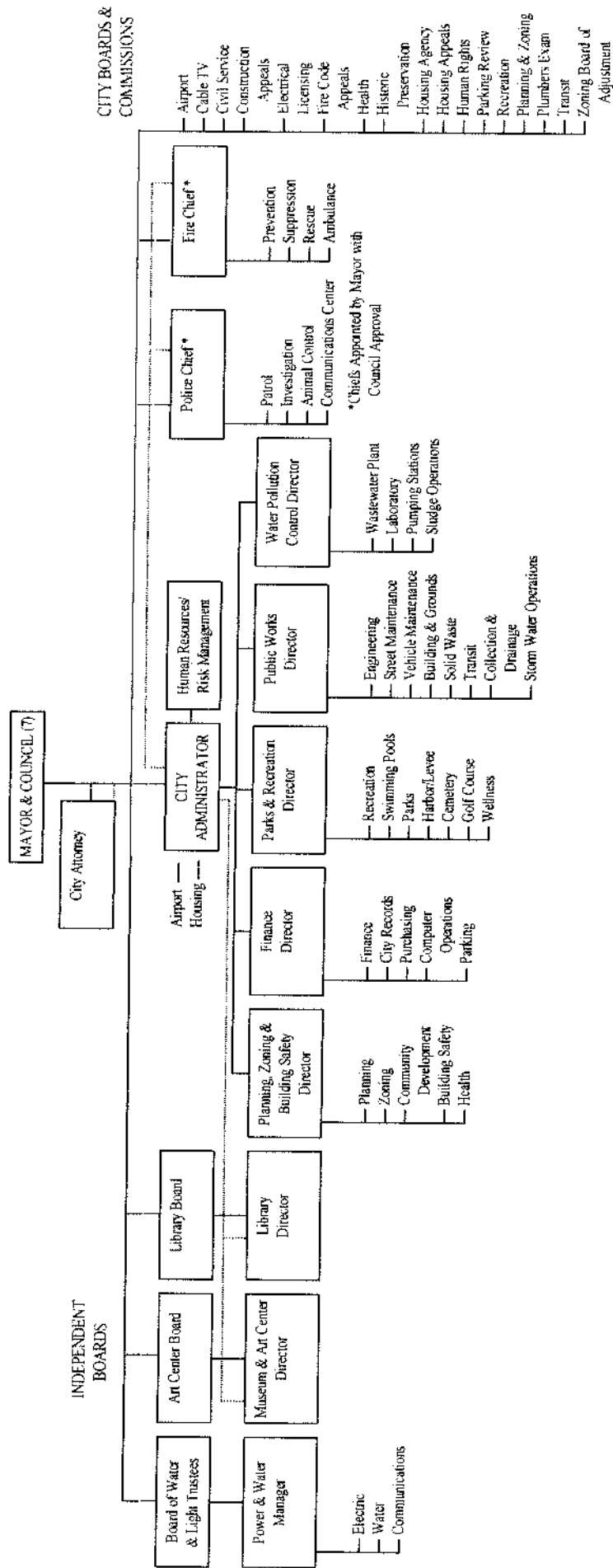
President

Executive Director

# CITY OF MUSCATINE, IOWA

## ORGANIZATIONAL STRUCTURE

### CITIZENS



## **CITY OF MUSCATINE, IOWA**

### **List of Principal Officials June 30, 2006**

Richard W. O'Brien, Mayor

#### **CITY COUNCIL**

Robert Howard  
At Large

Osama Shihadeh  
At Large

Philip Fitzgerald  
First Ward

Marie Press  
Second Ward

Scott Day  
Third Ward

Bob Bynum  
Fourth Ward

Bill Trent  
Fifth Ward

#### **COUNCIL APPOINTED OFFICIALS**

City Administrator  
Corporation Counsel

A.J. Johnson  
Harvey G. Allbee, Jr.

#### **DEPARTMENT DIRECTORS**

Art Center Director  
Finance Director  
Fire Chief  
Library Director  
Parks & Recreation Director  
Planning, Zoning and Building Safety Director  
Police Chief  
Public Works Director  
Water Pollution Control Director

Barbara Longtin  
Nancy A. Lueck  
Steve Dalbey  
Peter Press  
Richard Klimes  
Steve Boka  
Gary Coderoni  
Randy E. Hill  
Don Freel



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Muscatine. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power and Water, a discretely presented component unit, which represent 99% each of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power and Water, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Muscatine. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Muscatine. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
September 21, 2006

## Management's Discussion and Analysis

As management of the City of Muscatine, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. This narrative is intended to supplement the letter of transmittal and the financial statements and should provide the reader with contextual information that will advance our goal of full disclosure.

### Financial Highlights

- The assets of the City of Muscatine exceeded its liabilities at the close of the most recent fiscal year by \$116,582,180 (net assets). Of this amount, \$12,068,559 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,081,381 during the year. This overall increase is primarily in the Water Pollution Control Fund. Local option sales tax funds transferred to fund sewer-related projects resulted in an increase in net assets of \$3,424,870 in this fund.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,685,929, an increase of \$1,039,213 in comparison with the prior year. Of the ending balance, approximately 78% (\$7,547,590) was unreserved and is available for spending within the statutory guidelines pertaining to each fund at the City's discretion.
- At the end of the current fiscal year, the City's unreserved fund balance for the general fund was \$1,715,921, or 13.9% of total general fund expenditures.
- The City's total debt increased by \$684,045 (4.2%) during the current fiscal year. This increase was due to the issuance of \$2,990,000 in general obligation bonds.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works, Health and Social Service, Culture and Recreation, Community and Economic Development, General Government, and Interest and Fees on Long-term Debt. The business-type activities of the City include Water Pollution Control, Refuse Collection, Transfer Station, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Ambulance, and Public Housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, Muscatine Power and Water and the Muscatine County Solid Waste Agency for which the City of Muscatine is considered to be financially accountable. Financial information for these two *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Solid Waste Agency does not issue separate financial statements.

The government-wide financial statements can be found on pages 26-27 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has five major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, the Debt Service Fund, and the Pearl of the Mississippi Project Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 28-30 report.

**Proprietary funds.** The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. While both types of proprietary funds are run in a business-like manner, enterprise funds are included in business-type activities since they serve the entire community, while internal service funds are included in *governmental activities* since they predominantly benefit the City's governmental functions.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has eleven (11) enterprise funds. Two of the enterprise funds, the Water Pollution Control Fund and the Transfer Station Fund, are considered major funds and are reported individually throughout the report. The other nine (9) non-major enterprise funds are grouped together for reporting purposes and listed under a single heading, Other Enterprise Funds. Detail information for each of the nine (9) non-major enterprise funds is provided in combining statements elsewhere in this report.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's various functions. The City has four internal service funds: Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Individual fund data for the Internal Service Funds is provided in the form of combining statements in the latter section of this report.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has four fiduciary funds, all of which are maintained as agency funds, with no attempt to create ongoing fund balances.

The basic fiduciary funds financial statement can be found on page 34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-59.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information.

### **Government-wide Financial Analysis**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$116,582,180 at the close of the fiscal year ended June 30, 2006.

By far the largest portion of the City's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### CITY OF MUSCATINE'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 22,692,346	\$ 20,733,609	\$ 8,404,843	\$ 7,593,390	\$ 31,097,189	\$ 28,326,999
Capital assets	60,175,341	60,057,719	57,648,338	54,994,159	117,823,679	115,051,878
Total assets	82,867,687	80,791,328	66,053,181	62,587,549	148,920,868	143,378,877
Long-term liabilities outstanding	11,506,770	9,831,892	6,904,055	7,818,652	18,410,825	17,650,544
Other liabilities	12,462,490	11,538,799	1,465,373	688,735	13,927,863	12,227,534
Total liabilities	23,969,260	21,370,691	8,369,428	8,507,387	32,338,688	29,878,078
Net assets:						
Invested in capital assets, net of related debt	50,011,138	51,221,230	51,101,160	47,550,543	101,112,298	98,771,773
Restricted	3,420,397	2,948,998	-	-	3,420,397	2,948,998
Unrestricted	5,466,892	5,250,409	6,582,593	6,529,619	12,049,485	11,780,028
Total net assets	\$ 58,898,427	\$ 59,420,637	\$ 57,683,753	\$ 54,080,162	\$ 116,582,180	\$ 113,500,799

A portion of the City's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,049,485) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

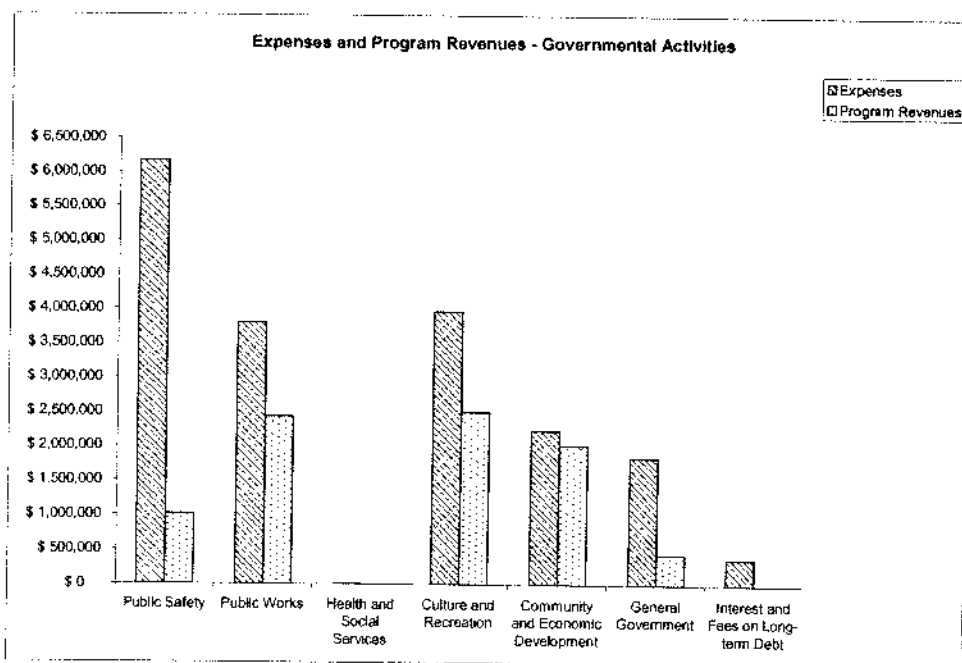
Net assets invested in capital assets net of related debt increased by \$2,340,525 during the year due to various sewer and other capital projects. Restricted net assets increased by \$471,399 and unrestricted net assets increased by \$269,457 during the year.

**Governmental activities.** Governmental activities decreased the City's net assets by \$522,210. A significant portion of this overall decrease was due to the transfer of \$3,813,854 of local option sales tax funds to fund sewer projects in the Water Pollution Control Fund. Other key elements of this overall decrease are as follows:

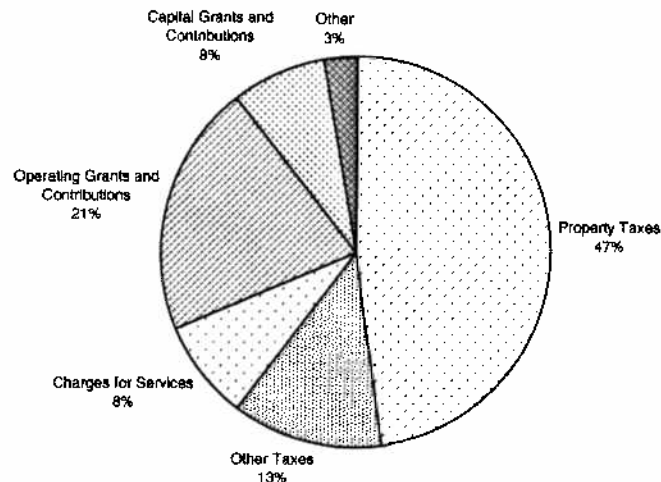
# CITY OF MUSCATINE CHANGES IN NET ASSETS

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,866,871	\$ 1,833,004	\$ 8,717,225	\$ 8,708,478	\$ 10,584,096	\$ 10,541,482
Operating grants, contributions and restricted interest	4,805,002	4,617,475	619,692	551,160	5,424,694	5,168,635
Capital grants and contributions	1,733,592	894,158	642,818	296,941	2,376,410	1,191,099
General revenues:						
Property taxes	10,916,665	10,242,610	-	-	10,916,665	10,242,610
Utility taxes	59,209	63,638	-	-	59,209	63,638
Local option sales tax	2,290,018	1,938,370	-	-	2,290,018	1,938,370
Hotel/motel tax	306,075	327,575	-	-	306,075	327,575
Cable franchise tax	245,132	238,788	-	-	245,132	238,788
Intergovernmental, not restricted to specific programs	61,834	64,870	-	-	61,834	64,870
Unrestricted investment earnings	337,227	203,275	230,168	130,688	567,395	333,963
Other	257,487	4,500	-	2,253	257,487	6,753
Total revenues	<u>22,879,112</u>	<u>20,428,263</u>	<u>10,209,903</u>	<u>9,689,520</u>	<u>33,089,015</u>	<u>30,117,783</u>
Expenses:						
Public safety	6,164,169	6,081,788	-	-	6,164,169	6,081,788
Public works	3,802,168	3,220,525	-	-	3,802,168	3,220,525
Health and social service	16,660	15,700	-	-	16,660	15,700
Culture and recreation	3,967,702	3,466,568	-	-	3,967,702	3,466,568
Community and economic development	2,234,880	3,217,531	-	-	2,234,880	3,217,531
General government	1,844,803	1,725,955	-	-	1,844,803	1,725,955
Interest and fees on long-term debt	379,549	422,410	-	-	379,549	422,410
Water pollution control	-	-	4,329,934	4,134,898	4,329,934	4,134,898
Transfer station	-	-	2,130,005	2,181,508	2,130,005	2,181,508
Refuse collection	-	-	1,283,743	1,243,306	1,283,743	1,243,306
Airport	-	-	579,586	551,070	579,586	551,070
Parking	-	-	220,508	205,301	220,508	205,301
Transit	-	-	763,123	678,757	763,123	678,757
Golf course	-	-	439,438	468,149	439,438	468,149
Boat harbor	-	-	33,630	33,273	33,630	33,273
Marina	-	-	27,176	8,004	27,176	8,004
Ambulance	-	-	908,058	914,100	908,058	914,100
Public housing	-	-	882,502	935,354	882,502	935,354
Total expenses	<u>18,409,931</u>	<u>18,150,477</u>	<u>11,597,703</u>	<u>11,353,720</u>	<u>30,007,634</u>	<u>29,504,197</u>
Increase (decrease) in net assets before transfers	4,469,181	2,277,786	(1,387,800)	(1,664,200)	3,081,381	613,586
Transfers in (out)	(4,991,391)	(2,185,755)	4,991,391	2,185,755	-	-
Increase (decrease) in net assets	<u>(522,210)</u>	<u>92,031</u>	<u>3,603,591</u>	<u>521,555</u>	<u>3,081,381</u>	<u>613,586</u>
Net assets, June 30, 2005	<u>59,420,637</u>	<u>59,328,606</u>	<u>54,080,162</u>	<u>53,558,607</u>	<u>113,500,799</u>	<u>112,887,213</u>
Net assets, June 30, 2006	<u>\$ 58,898,427</u>	<u>\$ 59,420,637</u>	<u>\$ 57,683,753</u>	<u>\$ 54,080,162</u>	<u>\$ 116,582,180</u>	<u>\$ 113,500,799</u>

- Revenues for governmental activities increased by \$2,450,849 or 12.0% from the previous year.
- Charges for services increased by \$33,867 due to increased public safety and building and zoning fees.
- Operating grants and contributions increased by \$187,527 due to increased public safety and public works grants.
- Capital grants and contributions increased by \$839,434. This increase was primarily related to contributions and grants for the Pearl of the Mississippi Projects.
- Property taxes increased by \$674,055 during the year or 6.6%. This increase resulted from a 2.4% increase in tax rate and an increase of 3.8% in taxable valuation.
- Local option sales tax increased by \$351,648 during the year.
- Unrestricted investment earnings increased by \$133,952 during the year.
- Other general revenues increased by \$252,987 due to gains on sales of property.
- Expenses for governmental activities increased by \$259,454 or 1.4% from the previous year.
- The most significant increases in governmental expenses were in the public safety (\$82,381), public works (\$581,643) and culture and recreation (\$501,134) functions. The most significant decrease was in the community and economic development function which decreased \$982,651. This decrease was in part due to a reduction in Section 8 housing program expenditures (\$192,517) and reduced community development project costs (\$657,442). Interest and fees on long-term debt also decreased by \$42,861.

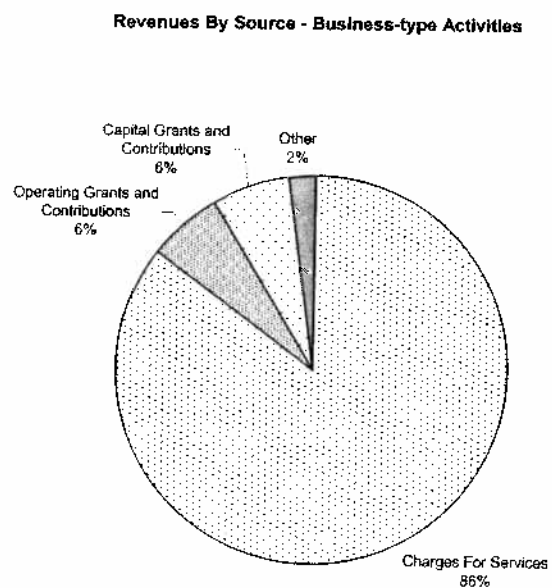
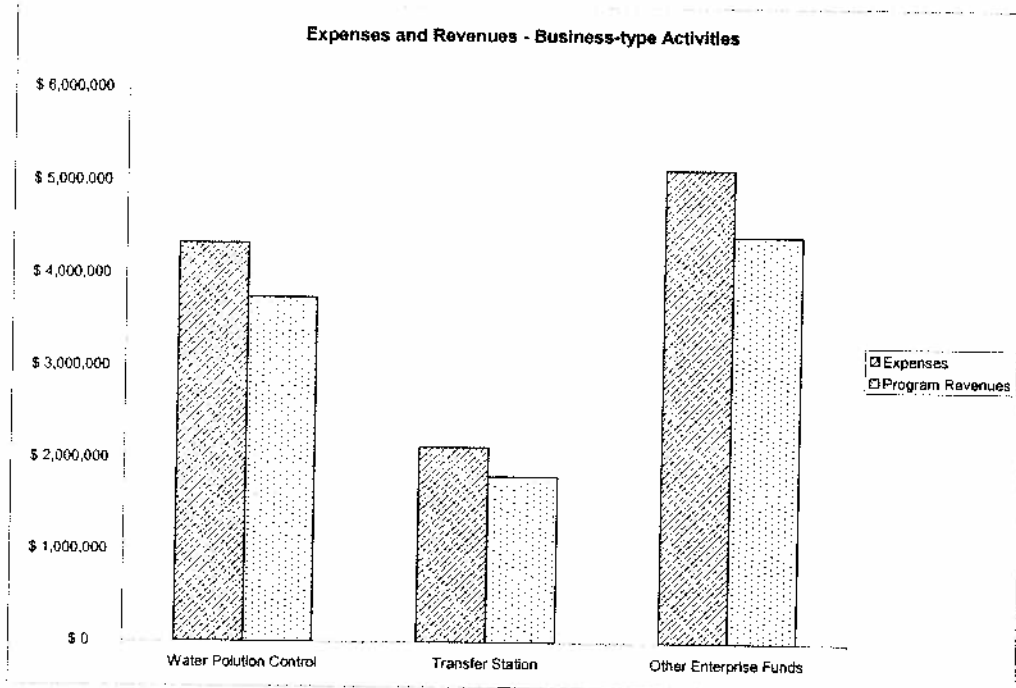


#### Revenues By Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City's total net assets by \$3,603,591, accounting for all of the total increase in the City of Muscatine's net asset during the year. Increases in net assets were reported in the Water Pollution Control, Transfer Station, Refuse Collection, and Transit funds. Decreases in net assets were reported in the Airport, Parking, Golf Course, Boat Harbor, Ambulance and Public Housing funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by \$3,424,870 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$3,813,854 of sewer-related capital project costs.
- Net assets of the Transfer Station fund increased by \$433,959 during the year. This increase is the result of a funding transfer of \$752,796 from the debt service fund to fund the Transfer Station debt requirements for the year.
- Revenues for the business-type activities in total increased by \$520,383 (5.4%). Water Pollution Control Plant service charge increased \$133,678 and refuse collection charges by \$51,168 due to rate increases. Transit capital grants, primarily for bus purchases, increased \$133,936 and transit operating grants increased \$20,285. Airport capital grants which funded additional land acquisition increased by \$166,200 for the year.
- Expenses for the business-type activities increased \$243,983 (2.1%).



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,685,929, an increase of \$1,039,213 in comparison with the prior year. This increase was primarily due to the increase in fund balance in the Pearl of the Mississippi capital project fund (\$1,506,549). Grant funds, contribution pledges, local option sales tax funds and bond proceeds were received during the year for both prior year and current year project costs. Additional pledges and future year local option taxes will be received in future years to complete the financing for this project.

Approximately 78% of the total combined ending fund balances (\$7,547,590) constitutes unreserved fund balance, which is available for spending within statutory guidelines pertaining to each fund at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$1,715,921, while total fund balance was \$1,743,077. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved and total general fund balances at the end of the fiscal year represent 13.9% and 14.1%, respectively, of total general fund expenditures.

The City of Muscatine's general fund balance increased slightly by \$17,820 during the current fiscal year. Other revenue sources for the year included \$275,840 in proceeds from the sale of two City properties which allowed for this General Fund balance increase.

The Employee Benefits fund balance decreased during the year by \$267,327 which resulted in an ending fund deficit of \$56,219. Taxes are levied in this fund for employee benefits for general fund employees. The deficit was the result of a 33% increase in employee health insurance rates effective January 1, 2006. This deficit will be eliminated with taxes levied in the 2006/2007 year.

The Local Option Sales Tax fund balance decreased during the fiscal year by \$1,605,528. Transfers to the Water Pollution Control and Capital Project funds for project costs totaled \$4,042,856 for the year.

The Pearl of the Mississippi capital project fund had expenditures of \$1,490,971 during the year. The skatepark, aquatic center, marina improvements, boat launch relocation and Riverview Center renovation components of this project were completed in prior fiscal years. The remaining components in Phase I of the Pearl Project were completed in 2005/2006. These projects included the riverfront trail and the "Mississippi Harvest" sculpture on the riverfront. Construction began in the spring of 2006 on Phase II of the Pearl Project which includes an interactive water feature, pedestrian plaza, and landscaping in the area of the "Mississippi Harvest" sculpture. The deficit in the Pearl of the Mississippi project fund of \$974,719 at year end will be eliminated with pledges yet to be received and future local option sales tax funds.



**Proprietary funds.** The City of Muscatine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets for the City's enterprise funds as of June 30, 2006 was \$57,683,753, an increase of \$3,603,591 from the previous fiscal year. Of the net assets of the enterprise funds, \$51,082,086 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$6,601,667, an increase of \$72,048 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance and Dental Insurance. Net assets for the internal service funds totaled \$516,981 as of June 30, 2006, a decrease of \$17,806 from the previous year.

### **General Fund Budgetary Highlights**

During the year there was a \$664,900 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund increased by \$682,697 from the original to the amended budget. Following are the main components of the increases:

- Increases in the police department budget totaled \$108,500. This increase included \$83,600 for expenditures funded by police grants and \$13,000 for increased fuel costs. The increase in police grants included \$58,350 for a school security grant which was passed through to the Muscatine Community School District.
- Increases in the fire department budget totaled \$145,700. This increase included \$30,100 for expenditures funded from grant funds, \$22,500 to replace fire equipment damaged in an industrial fire, and \$31,700 for increased employee insurance costs. The balance of the budget increase was for increased wages and benefits as the original budget was based on several retirements that were expected but did not occur during the year.
- Increases in the parks and recreation budget totaled \$127,900. This increase included \$73,900 in the Park Maintenance budget, \$15,800 in the Kent Stein Park, \$20,200 in the Soccer Complex, \$6,000 in the Aquatic Center and \$9,100 in the Cemetery budgets. These increases funded increased employee insurance costs and a variety of increased operating and maintenance costs. Budgeted revenues for the various Parks and Recreation activities increased by \$26,500 from the original budget to the amended budget.
- Public works department expenditures were amended by \$38,100 which included funds for increased employee insurance costs and increased fuel costs. This budget increase was funded from increased transfers from the Road Use Tax fund.
- The amended budget included a \$15,600 increase in the Community Development department. This included increased funding for employee insurance costs and increased funding for the nuisance abatement program.

- Budgeted expenditures in the General Government function of the General Fund were amended upward by \$119,500. This increase included \$40,400 for consultant services related to the Historic Preservation Commission survey of the West Hill Neighborhood and the submission of the application for the downtown area to be considered for the National Register of Historic Places. These costs were partially funded from grants and contributions. The Finance Department budget (including Computer Operations) was increased \$54,700 primarily due to the reorganization in the department. This reorganization included elimination of the Administrative Services Director position and the addition of one Accounting Supervisor and one Computer Technician position. The Building and Grounds budget was also increased due to a variety of unexpected building maintenance items.

### Capital Asset and Debt Administration

**Capital assets.** The City of Muscatine's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$117,823,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$117,622 for governmental activities compared to the prior year and increased by \$2,654,179 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Additions to capital assets (net of asset retirements) totaled \$7,778,368.
- Major asset additions included \$495,092 for land acquisition for the East 5<sup>th</sup> Street Bridge project; \$1,066,817 for the American Heritage Trail Extension; \$224,537 for land acquisition for the Airport; \$587,352 for the Poplar Street Sewer Separation Project; \$1,038,668 for improvements to three sewer pump stations; \$2,844,588 for construction in progress on various other sewer improvement projects; and \$545,468 for construction in progress on the East 5<sup>th</sup> Street Bridge project.
- Depreciation expense totaled \$5,646,754 for the year with \$2,688,118 in the governmental activities and \$2,958,636 in the business-type activities.

### City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land, art work and construction in progress, not being depreciated	\$ 15,020,297	\$ 13,726,325	\$ 5,772,649	\$ 2,977,168	\$ 20,792,946	\$ 16,703,493
Other capital assets net of accumulated depreciation	45,155,044	46,331,394	51,875,689	52,016,991	97,030,733	98,348,385
Total capital assets	<u>\$ 60,175,341</u>	<u>\$ 60,057,719</u>	<u>\$ 57,648,338</u>	<u>\$ 54,994,159</u>	<u>\$ 117,823,679</u>	<u>\$ 115,051,878</u>

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 48-50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,994,431. Of this amount, \$14,014,431 comprises debt backed by the full faith and credit of the city. Of this amount \$6,547,178 is debt that serves enterprise funds and therefore is reflected as debt of the respective enterprise funds with the remainder of the general obligation bonds (\$7,467,253) reflected as debt of the governmental activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

### City of Muscatine Outstanding Debt General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 7,467,253	\$ 5,621,770	\$ 6,547,178	\$ 7,443,616	\$ 14,014,431	\$ 13,065,386
Revenue bonds	2,980,000	3,245,000	-	-	2,980,000	3,245,000
Total	\$ 10,447,253	\$ 8,866,770	\$ 6,547,178	\$ 7,443,616	\$ 16,994,431	\$ 16,310,386

The City's total bonded debt increased by \$684,045 during the year. General obligation bonds of \$2,990,000 (\$2,974,454 net of discount) were issued and \$2,290,409 of debt was retired during the year.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$48,497,447. The amount of debt applicable to the debt limit totals \$17,356,273 (including a lease-purchase obligation). The City's debt is significantly less than the maximum debt limit allowed.

The City maintained its A-1 rating from Moody's for general obligation debt.

Additional information on the City's long-term debt can be found in note 8 on pages 51-54 of this report.

### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 4.2% for calendar year 2005 compared to 4.5% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 3.8% for the 2005/2006 year and increased by 5.8% for the upcoming 2006/2007 fiscal year.

- The upcoming budget provides funding for capital improvement projects to continue in 2006/2007. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (90%) and also be used for funding for the Pearl of the Mississippi Project (10%). Phase I of the Pearl of the Mississippi Project began in the 2003/2004 fiscal year and was completed in 2005/2006. This project included a new aquatic center, trail extension, skatepark, community art, marina improvements, boat launch relocation, Riverview Center renovation and the Environmental Learning Center. These projects total \$9.6 million. Phase II of the Pearl Project began in 2005/2006 and will be completed in 2006/2007. Phase II includes an interactive water feature, a pedestrian plaza and landscaping in the area of the “Mississippi Harvest” community art sculpture. Funding for both Phase I and Phase II of these projects was secured from grants, private donations, bond proceeds and local option sales tax.
- Capital projects budgeted for 2006/2007 also includes completion of the East 5<sup>th</sup> Street Bridge project, various street resurfacing projects and the Highway 61 Business Route Corridor Study. This study will be the basis for future improvement projects along this corridor related to vehicle and pedestrian traffic flow, intersection enhancements, linking the recently revitalized riverfront area to the downtown, and flooding impacts.
- The 2006/2007 budget provides for increases in sewer, refuse collection, ambulance and golf fees.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Muscatine’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 215 Sycamore Street, Muscatine, Iowa, 52761.

City of Muscatine, Iowa

Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water
<b>ASSETS</b>					
Cash and pooled investments	\$ 8,123,118	\$ 5,641,259	\$ 13,764,377	\$ -	\$ 18,090
Investments	2,302,397	654,216	2,956,613	-	6,348,261
Receivables (net of allowance for uncollectibles):					
Interest	83,847	52,210	136,057	1,451	909,726
Taxes	10,886,973	-	10,886,973	-	-
Accounts	171,698	1,377,156	1,548,854	7,724	9,975,857
Special assessments	3,834	-	3,834	-	-
Intergovernmental	944,579	604,331	1,548,910	-	-
Loan receivable from component unit	-	24,218	24,218	-	-
Inventories	131,242	7,482	138,724	-	10,404,130
Prepays	-	-	-	-	604,088
Deferred charges	44,658	27,720	72,378	-	412,581
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	16,251	16,251	673,276	1,984
Investments	-	-	-	-	48,191,736
Capital assets:					
Land, art work and construction in progress, not being depreciated	15,020,297	5,772,649	20,792,946	1,107,654	5,682,060
Other capital assets net of accumulated depreciation	45,155,044	51,875,689	97,030,733	464,847	-
Utility plant in service	-	-	-	-	171,936,336
Intangible assets (net of accumulated depreciation)	-	-	-	-	5,411,645
Joint venture rights	-	-	-	-	202,997
<b>Total assets</b>	<b>82,867,687</b>	<b>66,053,181</b>	<b>148,920,868</b>	<b>2,254,952</b>	<b>260,099,491</b>
<b>LIABILITIES</b>					
Accounts payable and accruals	1,359,384	1,291,027	2,650,411	146,602	6,116,134
Due to federal government	264,154	-	264,154	-	-
Retainages payable	58,372	75,602	133,974	-	-
Deposits	-	32,926	32,926	-	2,987,048
Matured bonds and interest payable	419	-	419	-	-
Accrued interest payable	35,931	26,719	62,650	-	535,204
Unearned revenue	10,744,230	39,099	10,783,329	-	29,303,164
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	11,780,000
Accrued interest payable	-	-	-	-	2,009,699
Noncurrent liabilities:					
Due within one year	1,842,401	1,121,466	2,963,867	8,125	-
Due in more than one year	9,664,369	5,753,844	15,418,213	-	73,572,523
Loan due to primary government	-	-	-	24,218	-
Closure/post-closure obligation	-	28,745	28,745	1,177,196	-
<b>Total liabilities</b>	<b>23,969,260</b>	<b>8,369,428</b>	<b>32,338,688</b>	<b>1,356,141</b>	<b>126,303,772</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	50,011,138	51,101,160	101,112,298	1,572,501	77,774,036
Restricted for:					
Debt service	94,295	-	94,295	-	-
Public works	878,381	-	878,381	-	-
Community and economic development	348,030	-	348,030	-	-
Public safety	7,928	-	7,928	-	-
Capital projects	289,322	-	289,322	-	-
Perpetual care, nonexpendable	800,208	-	800,208	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	870,233	-	870,233	-	-
Other purposes	-	-	-	-	46,184,021
Unrestricted	5,466,892	6,582,593	12,049,485	(673,690)	9,837,662
<b>Total net assets</b>	<b>\$ 58,898,427</b>	<b>\$ 57,683,753</b>	<b>\$ 116,582,180</b>	<b>\$ 898,811</b>	<b>\$ 133,795,719</b>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Activities  
For the Year Ended June 30, 2006

Function: Primary Government:	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Primary Government		Component Units	
			Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Muscatine County Solid Waste Agency
Governmental activities:						
Public safety	\$ 6,164,169	\$ 306,954	\$ 408,677	\$ 296,831	\$ (5,151,707)	\$ (5,151,707)
Public works	3,802,168	141,803	2,275,904	13,879	(1,370,782)	(1,370,782)
Health and social services	16,660	-	-	-	(16,660)	(16,660)
Culture and recreation	3,967,702	577,257	516,685	1,410,146	(1,463,614)	(1,463,614)
Community and economic development	2,234,880	407,977	1,603,736	5,305	(217,662)	(217,662)
General government	1,844,803	432,880	-	7,431	(1,404,492)	(1,404,492)
Interest and fees on long-term debt	379,549	-	-	-	(379,549)	(379,549)
Total governmental activities	18,409,931	1,866,871	4,805,002	1,733,592	(10,004,466)	(10,004,466)
Business-type activities:						
Water pollution control	4,379,934	3,745,884	-	-	(584,050)	(584,050)
Refuse collection	1,263,743	1,312,208	-	-	28,465	28,465
Transfer station	2,130,005	1,767,744	43,424	-	(318,837)	(318,837)
Airport	579,586	43,564	5,009	199,417	(331,605)	(331,605)
Parking	220,508	188,146	-	-	(32,362)	(32,362)
Transit	763,123	106,144	302,064	320,883	(34,032)	(34,032)
Golf course	439,438	402,832	-	-	(36,606)	(36,606)
Boat harbor	33,630	21,782	-	-	(11,848)	(11,848)
Marina	27,176	26,616	-	-	(560)	(560)
Ambulance	908,058	735,295	-	-	(172,763)	(172,763)
Public housing	882,502	367,010	269,204	122,518	(123,770)	(123,770)
Total business-type activities	11,597,703	8,717,225	619,692	642,818	(1,617,968)	(1,617,968)
Total primary government	\$ 30,007,634	\$ 10,584,096	\$ 5,424,694	\$ 2,376,410	\$ (11,622,434)	\$ (11,622,434)
Component Units:						
Muscatine County Solid Waste Agency	\$ 983,677	\$ 868,475	\$ -	\$ 636,226	\$ -	\$ -
Muscatine Power & Water	78,777,129	74,563,264	-	464,185	-	(3,749,680)
Total component units	\$ 79,760,806	\$ 75,431,739	\$ -	\$ 1,090,511	\$ 511,124	\$ (3,749,680)
General revenues:						
Property taxes						
Utility taxes						
Local option sales tax						
Hotel/motel taxes						
Cable franchise taxes						
Intergovernmental, unrestricted						
Unrestricted investment income						
Gain on sale of capital assets						
Contributions to endowments						
Transfers						
Total general revenues, contributions to endowments and transfers						
(Change in net assets)						
Net assets, June 30, 2005						
Net assets, June 30, 2006						

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Pearl of the Mississippi Project	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and pooled investments	\$ 1,510,730	\$ -	\$ 2,759,291	\$ 58,485	\$ -	\$ 3,069,842	\$ 7,398,348
Investments	-	-	-	-	-	2,302,397	2,302,397
Receivables (net of allowance for uncollectibles):							
Interest	13,523	-	29,864	7,077	915	28,276	79,655
Taxes	5,904,185	2,734,330	-	2,060,844	-	187,614	10,886,973
Accounts	137,795	-	-	-	-	31,696	169,491
Special assessments	-	-	-	-	-	3,834	3,834
Intergovernmental	229,911	-	349,441	-	5,110	360,117	944,579
Advances to other funds	-	-	633,731	-	-	104,464	738,195
Total assets	<u>7,796,144</u>	<u>2,734,330</u>	<u>3,772,327</u>	<u>2,126,406</u>	<u>6,025</u>	<u>6,088,240</u>	<u>22,523,472</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable and accruals	223,729	-	-	100	288,641	516,224	1,028,694
Due to federal government	-	-	-	-	-	264,154	264,154
Retainages payable	-	-	-	-	58,372	-	58,372
Advances from other funds	-	86,511	-	-	633,731	17,953	738,195
Matured general obligation bond interest payable	-	-	-	419	-	-	419
Deferred revenue	5,829,338	2,704,038	-	2,031,592	-	182,741	10,747,709
Total liabilities	<u>6,053,067</u>	<u>2,790,549</u>	<u>-</u>	<u>2,032,111</u>	<u>980,744</u>	<u>981,072</u>	<u>12,837,543</u>
Fund balances:							
Reserved for:							
Encumbrances	27,156	-	-	-	-	-	27,156
Advances to other funds	-	-	633,731	-	-	104,464	738,195
Perpetual care	-	-	-	-	-	800,208	800,208
Endowments	-	-	-	-	-	189,163	189,163
Debt service	-	-	-	94,295	-	-	94,295
Capital projects	-	-	-	-	-	289,322	289,322
Unreserved, reported in:							
General fund	1,715,921	-	-	-	-	-	1,715,921
Special revenue funds	-	(56,219)	3,138,596	-	-	3,209,712	6,292,089
Capital projects funds	-	-	-	-	(974,719)	514,299	(460,420)
Total fund balances	<u>1,743,077</u>	<u>(56,219)</u>	<u>3,772,327</u>	<u>94,295</u>	<u>(974,719)</u>	<u>5,107,168</u>	<u>9,685,929</u>
Total liabilities and fund balances	<u>\$ 7,796,144</u>	<u>\$ 2,734,330</u>	<u>\$ 3,772,327</u>	<u>\$ 2,126,406</u>	<u>\$ 6,025</u>	<u>\$ 6,088,240</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,162,446
Unamortized balance of deferred charge for bond issuance costs not reported in the funds	44,658
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,479
Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	516,981
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(10,447,252)
Capital lease payable	(6,273)
Accrued interest payable	(35,931)
Compensated absences	(1,025,610)
Net assets of governmental activities	<u>\$ 58,898,427</u>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2006

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Pearl of the Mississippi Project	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes:							
Property	\$ 5,590,903	\$ 2,052,617	\$ -	\$ 2,046,944	\$ -	\$ 1,226,201	\$ 10,916,665
Utility	33,898	12,456	-	11,825	-	1,030	59,209
Hotel/motel	306,075	-	-	-	-	-	306,075
Cable franchise	245,132	-	-	-	-	-	245,132
Local option sales	-	-	2,290,018	-	-	-	2,290,018
Licenses and permits	332,378	-	-	-	-	-	332,378
Fines and forfeitures	126,720	-	-	-	-	-	126,720
Intergovernmental	553,216	-	-	35,898	1,062,477	4,043,994	5,695,585
Charges for services	416,045	-	-	-	-	-	416,045
Use of money and property	217,255	-	147,310	29,876	3,161	135,072	532,674
Special assessments	-	-	-	-	-	5,926	5,926
Other	671,858	-	-	-	697,583	103,479	1,472,920
Total revenues	8,493,480	2,065,073	2,437,328	2,124,543	1,763,221	5,515,702	22,399,347
Expenditures:							
Current:							
Public safety	5,742,114	-	-	-	-	1,664	5,743,778
Public works	1,553,652	-	-	-	-	-	1,553,652
Health and social services	16,660	-	-	-	-	-	16,660
Culture and recreation	2,371,335	-	-	-	-	74,064	2,445,399
Community and economic development	597,402	-	-	-	-	1,479,561	2,076,963
General government	1,754,878	-	-	-	-	-	1,754,878
Debt service:							
Principal	2,976	-	-	1,129,999	-	265,000	1,397,975
Interest	514	-	-	212,736	-	157,710	370,960
Paying agent	-	-	-	2,500	-	-	2,500
Capital outlay:							
Public safety	93,813	-	-	-	-	176,978	270,791
Public works	62,699	-	-	-	-	1,895,491	1,958,190
Culture and recreation	150,287	-	-	-	1,490,971	115,534	1,756,792
Community and economic development	3,077	-	-	-	-	125,100	128,177
General government	41,733	-	-	-	-	144,474	186,207
Total expenditures	12,391,140	-	-	1,345,235	1,490,971	4,435,576	19,662,922
Revenues over (under) expenditures	(3,897,660)	2,065,073	2,437,328	779,308	272,250	1,080,126	2,736,425
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	1,000,178	1,989,822	2,990,000
General obligation bond discount	-	-	-	-	(4,881)	(10,667)	(15,548)
Sale of capital assets	275,840	-	-	-	-	-	275,840
Transfers in	4,152,849	-	-	-	239,002	513,821	4,905,672
Transfers out	(513,209)	(2,332,400)	(4,042,856)	(752,796)	-	(2,211,915)	(9,853,176)
Total other financing sources (uses)	3,915,480	(2,332,400)	(4,042,856)	(752,796)	1,234,299	281,061	(1,697,212)
Net change in fund balances	17,820	(267,327)	(1,605,528)	26,512	1,506,549	1,361,187	1,039,213
Fund balances, June 30, 2005	1,725,257	211,108	5,377,855	67,783	(2,481,268)	3,745,981	8,646,716
Fund balances, June 30, 2006	\$ 1,743,077	\$ (56,219)	\$ 3,772,327	\$ 94,295	\$ (974,719)	\$ 5,107,168	\$ 9,685,929

The notes to the financial statements are an integral part of this statement.



**City of Muscatine, Iowa**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,039,213
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:	
Capital asset purchases capitalized	2,717,547
Depreciation expense	(2,607,685)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	10,088
Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years	
Collection of prior year special assessments	(5,217)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
General obligation bond proceeds	(2,990,000)
General obligation bond principal payments	1,130,000
Tax increment bond principal payments	265,000
Capital lease principal payments	2,976
Net effects of bond issuance costs, premiums and discounts	35,213
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	(96,479)
Change in accrued interest payable	(5,060)
Internal service funds are used by management to charge the costs of equipment services, central office supplies, health and dental insurance to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	(17,806)
Change in net assets of governmental activities	<u>\$ (522,210)</u>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ 5,275,254	\$ -	\$ 366,005	\$ 5,641,259	\$ 724,770
Investments	-	-	654,216	654,216	-
Receivables (net of allowance for uncollectibles):					
Interest	43,108	-	9,102	52,210	4,192
Accounts	400,146	663,015	313,995	1,377,156	2,207
Intergovernmental:					
Federal	-	-	273,982	273,982	-
State	-	-	314,649	314,649	-
County	-	-	15,700	15,700	-
Advances to other funds	972,468	-	65,545	1,038,013	891
Advances to component unit	24,218	-	-	24,218	-
Inventories	-	-	7,482	7,482	131,242
<b>Total current assets</b>	<b>6,715,194</b>	<b>663,015</b>	<b>2,020,676</b>	<b>9,398,885</b>	<b>863,302</b>
Noncurrent assets:					
Restricted cash and pooled investments	-	16,251	-	16,251	-
Deferred charges	3,907	21,708	2,105	27,720	-
Capital assets:					
Land	474,486	175,000	1,976,603	2,626,089	-
Land improvements	62,346	1,019,897	9,445,631	10,527,874	-
Buildings and building improvements	31,422,828	7,428,336	10,981,792	49,832,956	-
Equipment	2,515,747	246,988	591,424	3,354,159	122,889
Vehicles	610,751	356,243	1,892,277	2,859,271	48,140
Infrastructure	27,596,565	-	-	27,596,565	-
Construction in progress	3,124,277	-	22,283	3,146,560	-
Less accumulated depreciation	(26,305,933)	(3,101,845)	(12,887,358)	(42,295,136)	(158,134)
Total capital assets net of accumulated depreciation	39,501,067	6,124,619	12,022,652	57,648,338	12,895
<b>Total noncurrent assets</b>	<b>39,504,974</b>	<b>6,162,578</b>	<b>12,024,757</b>	<b>57,692,309</b>	<b>12,895</b>
<b>Total assets</b>	<b>46,220,168</b>	<b>6,825,593</b>	<b>14,045,433</b>	<b>67,091,194</b>	<b>876,197</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	663,445	42,127	585,455	1,291,027	330,690
Retainages payable	75,602	-	-	75,602	-
Compensated absences payable	79,437	25,602	74,989	180,028	11,261
Advances from other funds	-	735,638	302,375	1,038,013	891
Deposits	-	-	32,926	32,926	-
Accrued interest payable	4,512	19,520	2,687	26,719	-
Unearned revenue	-	-	39,099	39,099	-
General obligation bonds	391,866	482,273	67,299	941,438	-
<b>Total current liabilities</b>	<b>1,214,862</b>	<b>1,305,160</b>	<b>1,104,830</b>	<b>3,624,852</b>	<b>342,842</b>
Noncurrent liabilities:					
General obligation bonds	833,733	4,189,052	582,955	5,605,740	-
Compensated absences	96,855	492	50,757	148,104	16,374
Transfer station closure obligation	-	28,745	-	28,745	-
<b>Total noncurrent liabilities</b>	<b>930,588</b>	<b>4,218,289</b>	<b>633,712</b>	<b>5,782,589</b>	<b>16,374</b>
<b>Total liabilities</b>	<b>2,145,450</b>	<b>5,523,449</b>	<b>1,738,542</b>	<b>9,407,441</b>	<b>359,216</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	38,275,468	1,453,294	11,372,398	51,101,160	12,895
Unrestricted	5,799,250	(151,150)	934,493	6,582,593	504,086
<b>Total net assets</b>	<b>\$ 44,074,718</b>	<b>\$ 1,302,144</b>	<b>\$ 12,306,891</b>	<b>\$ 57,683,753</b>	<b>\$ 516,981</b>

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
Operating revenues:					
Charges for sales and services	\$ 3,678,714	\$ 1,716,461	\$ 3,027,933	\$ 8,423,108	\$ 810,098
Employer contributions	-	-	-	-	1,641,395
Employee contributions	-	-	-	-	101,838
Other contributions	-	-	-	-	144,407
Other	67,170	51,283	175,664	294,117	-
<b>Total operating revenues</b>	<b>3,745,884</b>	<b>1,767,744</b>	<b>3,203,597</b>	<b>8,717,225</b>	<b>2,697,738</b>
Operating expenses:					
Cost of sales and services:					
Personal services	1,594,314	185,886	2,162,050	3,942,250	221,776
Commodities	169,937	29,547	386,602	586,086	456,774
Contractual services	742,730	1,323,418	1,275,014	3,341,162	1,995,188
Administration	124,700	-	235,100	359,800	15,300
Depreciation	1,625,065	297,775	1,035,796	2,958,636	2,328
<b>Total operating expenses</b>	<b>4,256,746</b>	<b>1,836,626</b>	<b>5,094,562</b>	<b>11,187,934</b>	<b>2,691,366</b>
<b>Operating income (loss)</b>	<b>(510,862)</b>	<b>(68,882)</b>	<b>(1,890,965)</b>	<b>(2,470,709)</b>	<b>6,372</b>
Non-operating revenues (expenses):					
Intergovernmental	-	43,424	576,268	619,692	-
Interest revenue	195,066	-	35,102	230,168	19,709
Interest expense	(71,886)	(290,665)	(39,139)	(401,690)	-
Bond issuance costs	(1,302)	(2,714)	(263)	(4,279)	-
Gain (loss) on sale of capital assets	-	-	(3,800)	(3,800)	-
<b>Non-operating revenues (expenses), net</b>	<b>121,878</b>	<b>(249,955)</b>	<b>568,168</b>	<b>440,091</b>	<b>19,709</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(388,984)</b>	<b>(318,837)</b>	<b>(1,322,797)</b>	<b>(2,030,618)</b>	<b>26,081</b>
Capital contributions - grants	-	-	642,818	642,818	-
Transfers in	3,813,854	752,796	424,741	4,991,391	-
Transfers out	-	-	-	-	(43,887)
<b>Change in net assets</b>	<b>3,424,870</b>	<b>433,959</b>	<b>(255,238)</b>	<b>3,603,591</b>	<b>(17,806)</b>
<b>Net assets, June 30, 2005</b>	<b>40,649,848</b>	<b>868,185</b>	<b>12,562,129</b>	<b>54,080,162</b>	<b>534,787</b>
<b>Net assets, June 30, 2006</b>	<b>\$ 44,074,718</b>	<b>\$ 1,302,144</b>	<b>\$ 12,306,891</b>	<b>\$ 57,683,753</b>	<b>\$ 516,981</b>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 3,738,217	\$ 1,806,633	\$ 3,227,312	\$ 8,772,162	\$ -
Receipts from interfund services provided	-	-	-	-	2,702,981
Payments to suppliers	(1,263,011)	(1,291,723)	(1,299,538)	(3,854,272)	(2,533,992)
Payments to employees	(898,209)	(133,144)	(1,659,379)	(2,690,732)	(161,303)
Payments for employee benefits	(349,977)	(48,075)	(510,189)	(908,241)	(59,580)
Payments for interfund services used	(122,981)	(52,952)	(537,835)	(713,768)	(15,300)
Net cash provided (used) by operating activities	1,104,039	280,739	(779,629)	605,149	(67,194)
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	(43,887)
Transfers from other funds	3,813,854	752,796	424,741	4,991,391	-
Advances from other funds	-	-	257,005	257,005	-
Advances to other funds	-	-	(65,545)	(65,545)	-
Repayment of advance to solid waste component unit	686,521	-	-	686,521	-
Repayment of advances from other funds	-	(317,916)	-	(317,916)	(92)
Repayment of advances to other funds	81,086	-	45,370	126,456	92
Subsidies from federal, state and local grants	-	43,424	588,930	632,354	-
Net cash provided (used) by noncapital financing activities	4,581,461	478,304	1,250,501	6,310,266	(43,887)
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	-	122,518	122,518	-
Purchase of capital assets	(4,347,355)	-	(583,220)	(4,930,575)	-
Principal paid on capital debt	(375,000)	(496,609)	(68,392)	(940,001)	-
Interest paid on capital debt	(70,080)	(256,187)	(35,269)	(361,536)	-
Net cash provided (used) by capital and related financing activities	(4,792,435)	(752,796)	(564,363)	(6,109,594)	-
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	1,550,540	1,550,540	-
Purchase of investments	-	-	(1,597,623)	(1,597,623)	-
Interest received	184,104	-	32,737	216,841	20,068
Net cash provided (used) by investing activities	184,104	-	(14,346)	169,758	20,068
Net increase (decrease) in cash and pooled investments	1,077,169	6,247	(107,837)	975,579	(91,013)
Cash and pooled investments, June 30, 2005	4,198,085	10,004	473,842	4,681,931	815,783
Cash and pooled investments, June 30, 2006	\$ 5,275,254	\$ 16,251	\$ 366,005	\$ 5,657,510	\$ 724,770
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (510,862)	\$ (68,882)	\$ (1,890,965)	\$ (2,470,709)	\$ 6,372
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,625,065	297,775	1,035,796	2,958,636	2,328
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(7,667)	38,889	(2,302)	28,920	5,243
Intergovernmental receivable	-	-	15,700	15,700	-
Inventories	-	-	(4,397)	(4,397)	(7,912)
Prepaid insurance	-	-	1,152	1,152	-
Increase (decrease) in:					
Accounts payable and accruals	5,950	4,565	73,174	83,689	(74,118)
Compensated absences payable	(8,447)	4,667	(18,104)	(21,884)	893
Unearned revenue	-	-	5,392	5,392	-
Deposits	-	-	4,925	4,925	-
Transfer station closure obligation	-	3,725	-	3,725	-
Total adjustments	1,614,901	349,621	1,111,336	3,075,858	(73,566)
Net cash provided (used) by operating activities	\$ 1,104,039	\$ 280,739	\$ (779,629)	\$ 605,149	\$ (67,194)

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006**

	<b>Agency Funds</b>
<b>Assets:</b>	
Cash and pooled investments	\$ 358,570
Accounts receivable	52,057
Advances to other funds	<u>51,434</u>
<b>Total assets</b>	<u><u>462,061</u></u>
<b>Liabilities:</b>	
Accounts payable and accruals	410,627
Advances from other funds	<u>51,434</u>
<b>Total liabilities</b>	<u><u>\$ 462,061</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MUSCATINE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

The notes to the financial statements contain a summary of significant accounting policies and other information considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Budgets
3. Deposits and Investments
4. Interfund Receivables, Payables, and Transfers
5. Restricted Assets
6. Capital Assets
7. Capital Lease
8. Long-Term Debt
9. Landfill Closure and Postclosure Care Cost
10. Retirement Systems
11. Deficit Fund Equity
12. Post Employment Health and Dental Care Benefits
13. Industrial Revenue Bonds
14. Risk Management
15. Commitments and Contingencies
16. New Governmental Accounting Standards Board (GASB) Standards

**CITY OF MUSCATINE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its citizens, including general government, public safety, public works, community development, cultural and park facilities. The City also operates an airport, parking facilities, public housing facilities, transit system, sewer and sanitation utilities, a municipal golf course, public library and a municipal museum and art center.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Muscatine and its component units, entities for which the City is considered to be financially accountable. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

**Discretely Presented Component Units**

**Muscatine County Solid Waste Agency (Agency).** The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, and Wilton, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

The City of Muscatine appoints a representative to the Agency's governing board whose vote (based on the City's population) accounts for 56% of the board's voting authority. A two-thirds vote is required for board action; therefore, the City does not appoint a voting majority of the Agency's governing board. Nonetheless, the Agency is considered a component unit of the City because of its fiscal dependence on the City. The City Council approves the Agency's budget, sets its rates, and approves any debt issuances.

The Agency has a June 30 year-end. Separate financial statements are not issued for the Agency, and the Agency accounts for all of its financial transactions in a single fund.

**Muscatine Power & Water (MP&W).** MP&W is a municipal utility which provides water, electric and communication service to users within the City of Muscatine and in other urban and rural areas within Muscatine County. MP&W's governing board is appointed by the Mayor and approved by the City Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City.

MP&W has a December 31 year-end. Complete financial statements for MP&W may be obtained at its administrative offices at Muscatine Power & Water, 3205 Cedar Street, Muscatine, Iowa 52761.

## Joint Venture

The City is a member organization along with Muscatine County and Muscatine Power and Water in a joint venture organized under Chapter 28E of the Iowa Code to develop and operate the Muscatine Area Geographic Information Consortium (MAGIC). The purpose of MAGIC is to improve the efficiency and effectiveness of its member organizations through the coordinated development of geographic and land information systems technology and data. A six-member board composed of two appointees from each member organization governs MAGIC. Each member organization has one vote on all matters. Each member organization is responsible for one-third of the operating expenses incurred by MAGIC. In the event MAGIC is terminated, the material benefits realized from the liquidation of any and all of its assets shall be divided among the participating organizations on a pro rata basis after any and all claims against MAGIC have been satisfied. The intent of the organization is not to accumulate excess funds and based upon the balance at year end the future contributions are adjusted accordingly. In accordance with the Governmental Accounting Standards Board's *Codification*, a claim to assets upon the joint venture's dissolution is not considered to be an equity interest. Therefore no investment in the joint venture is reported on the face of the financial statements of the City. There are no separately issued financial statements for this joint venture.

## Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Joint Communications Commission; Muscatine County/Municipal Disaster Services (Civil Defense) Board; Muscatine Community Nursing Services Board; Crossroads Workshop Board; Muscatine Island Flood Control Commission; Muscatine County Assessor's Conference Board; and Muscatine County Drug Task Force.

## B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, other than agency funds. Agency funds use the full accrual basis of accounting but do not have a measurement focus and therefore report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and all other revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The City has determined that there are various revenues, except for property tax revenues, including reimbursement of expenditures that are received between 60 and 90 days and therefore have adopted a 90 day availability period in order to keep the revenues and expenditures in the same current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 90 days after year-end. Income and other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures and miscellaneous revenue are recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *employee benefits fund* accounts for property taxes levied for police and fire retirement contributions, FICA and IPERS, and other employee benefits, as provided in Section 384.6 of the Code of Iowa.

The *local option sales tax fund* accounts for revenue from the 1% local option tax approved by the voters of the City and designated for storm and sanitary sewer improvements. Effective May 1, 2003, voters approved using up to 10% of future local option tax for the Pearl of the Mississippi Project.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Pearl of the Mississippi project fund* accounts for all resources used in the acquisition and construction of capital facilities related to the Pearl of the Mississippi projects.

The government reports the following major proprietary funds:

The *water pollution control fund* accounts for the operation of a municipally owned sewer treatment plant which provides services to the City. All activities necessary for such services are provided for in this fund as well as plant and various sewer system improvement projects.

The *transfer station fund* accounts for the operation of the refuse transfer station and recycling center.

Additionally, the government reports the following fund types:

*Internal service funds* account for equipment services, central supply distribution and employee health and dental benefits provided to other departments of the government on a cost reimbursement basis.

*Fiduciary fund types* are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Following is the City's fiduciary fund type:

*Agency funds* function to account for assets held by the City as an agent for payroll processing, housing programs, and miscellaneous other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and transfer station functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the City, the Agency, and MP&W to invest public funds in obligations of the United States government and its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City is authorized by the City Council to invest in obligations of the United States government and its agencies and instrumentalities; in certificates of deposit or other evidences of deposit at federally insured depository institutions; and investments in joint investment trusts authorized by resolution of the City Council.

Investments of the City, the Agency, and Muscatine Power & Water are stated at fair value with the exception of the investment in the Iowa Public Agency Investment Trust which is stated at amortized cost.

## **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2006, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2005 and March 31, 2006. Any County collections on the 2005-2006 tax levy remitted to the City within sixty days subsequent to June 30, 2006, are recorded as property tax revenues in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2006, are delinquent and have been recorded as receivables and deferred revenue in the governmental fund statements. By statute, the city is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax askings and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in both the governmental fund statements and the government-wide statements.

## **3. Inventories and Prepaid Items**

Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. The City's inventories are valued at cost using the first-in/first-out (FIFO) method. MP&W's inventories are valued at their weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **4. Restricted Assets**

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs.

Restricted assets of the Muscatine County Solid Waste Agency represent amounts set aside under law to provide for the cost of future landfill closure and post-closure costs.

Restricted assets of Muscatine Power & Water represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board.

## **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets and in the proprietary funds statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess

of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-50
Buildings	15-40
Building improvements	5-40
Equipment	4-20
Vehicles	4-15
Sewer system	50
Infrastructure	7-75

MP&W's utility plant is stated at original cost, which includes the cost of contracted services, material, labor, overhead and, on significant projects, an allowance for borrowed funds used during construction.

## **6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable upon retirement, in which event employees are paid for 40% of all eligible hours. Beginning July 1, 2000, retirement sick pay for non-union employees is paid to a post-employment health plan to be used for health care cost of the retirees. Beginning July 1, 2001, retirement sick pay for Fire bargaining unit and Blue/White Collar bargaining unit employees is also paid to the post employment health plan. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **8. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **NOTE 2. BUDGETS**

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa requires the annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. For the year ended June 30, 2006, the budget was amended twice to increase expenditures \$4,522,287 primarily for public improvements.

The City Council also approves a five-year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council; a public hearing also is held in regard to proposed capital improvements for the City.

Annual budgets are adopted for all funds, with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. These budgets are presented in a function format. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each function – Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, business-type activities and non-program. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level.

Revenue is credited to the individual fund types while expenditures/expenses are classified according to function areas within the specific funds for budgetary control purposes. Encumbrances and expenditures/expenses are compared to budget appropriations according to the ten general function designations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances include purchase orders, contracts, and other commitments for the expenditures of resources, which reserve a portion of the appropriation. For financial reporting purposes, encumbrances outstanding at year-end are recognized and reflected as a reserved portion of the fund balance. Actual expenditures are recognized only when the goods or services are actually received.

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. Unencumbered appropriations lapse at year-end.

For budgetary purposes, all general obligation bond payments, including those which for financial reporting purposes are accounted for through the enterprise funds, are budgeted through the debt service fund.

Actual expenditures for the year did not exceed the budgeted amounts in any of the functional areas.

### **NOTE 3. DEPOSITS AND INVESTMENTS**

The deposits and investments of the Solid Waste Agency are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency.

As of June 30, 2006, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 42,958
Cash in bank	280,190
Savings accounts	33,672
Money market accounts	91,053
Iowa Public Agency Investment Trust	1,740,214
Certificates of deposit	<u>15,581,000</u>
	<u>\$ 17,769,087</u>

As of June 30, 2006 the carrying amount of the City's deposits with financial institutions totaled \$16,073,448 and the bank balances were \$16,237,484. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The fair value of the City's position in the IPAIT pool is the same as the value of the pool.

**Interest rate risk** – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Credit risk** – The City's investment in the Iowa Public Agency Investment Trust is unrated.

**Concentration of credit risk** – The City's investment policy is to diversify its investment portfolio. Assets shall be diversified, where possible, to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

**Custodial credit risk – deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**Custodial credit risk – investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

As of December 31, 2005 MP&W's deposits and investments consist of the following:

	Fair Value
Cash in bank	\$ 20,074
U.S. government securities	<u>54,539,997</u>
	<u>\$ 54,560,071</u>

As of December 31, 2005 the carrying amount of MP&W's deposits with financial institutions totaled \$17,782, and the bank balances were \$863,546. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



It is the policy of Muscatine Power & Water to maintain all deposits and investments within category one in accordance with GASB No. 3 which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

### Credit Risk

As of December 31, 2005, Muscatine Power & Water's investments were rated as follows:

<i>Investment Type</i>	<i>Standard &amp; Poor's</i>	<i>Moody's</i>
US treasuries	AAA	Aaa
US agencies	AAA	Aaa

It is the policy of Muscatine Power & Water to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency.

### Concentration of Credit Risk

At December 31, 2005, Muscatine Power & Water investments held with issuers, each totaling more than 5 percent of the total portfolio, were concentrated as follows:

<i>Issuer</i>	<i>% of Portfolio</i>
Federal Home Loan Mortgage Corporation	43.9%
Federal Home Loan Bank	53.7%

It is the policy of Muscatine Power & Water to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

### Interest Rate Risk

At December 31, 2005, Muscatine Power & Water's investments were as follows:

<i>Investment Type</i>	<i>Maturity In Years</i>			
	<i>Fair Value</i>	<i>Less than 1 Year</i>	<i>1-5 Years</i>	<i>Greater than 5 Years</i>
U.S. treasuries	\$ 229,526	\$ 229,526	\$ -	\$ -
U.S. agencies	47,810,471	35,771,914	8,587,734	3,450,823
Totals	\$ 48,039,997	\$ 36,001,440	\$ 8,587,734	\$ 3,450,823

Muscatine Power & Water's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected liabilities.

#### NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2006 consist of the following:

		Due from						
Due to		Pearl of the Mississippi Project	Employee Benefits	Nonmajor Governmental	Transfer Station	Nonmajor Enterprise	Internal Service	Fiduciary
								Totals
	Local option sales tax	\$ 633,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 633,731
	Nonmajor governmental	-	86,511	17,953	-	-	-	104,464
	Water pollution control	-	-	-	735,638	236,830	-	972,468
	Nonmajor enterprise	-	-	-	-	65,545	-	65,545
	Internal service	-	-	-	-	-	891	891
	Fiduciary	-	-	-	-	-	-	51,434
	Total	\$ 633,731	\$ 86,511	\$ 17,953	\$ 735,638	\$ 302,375	\$ 891	\$ 1,828,533

The \$735,638 balance due from the Transfer Station is the result of a loan for working capital needs resulting from amounts in accounts receivable at year end and reduced waste volumes being received at this facility. It is not expected that this amount will be eliminated in the subsequent year. The \$633,731 due from the Pearl of the Mississippi Project is due to a loan needed until future pledges and local option sales tax allocations are received for this project. Pledges and local option taxes will be received over the next three fiscal years to eliminate this loan.

The remaining balances result from (1) working capital for inventory in the internal service funds, and (2) the time lag of receipts into the various funds.

Interfund transfers for the year are as follows:

		Transfers from					
Transfers to		General	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor Governmental	Internal Service
							Totals
	General	\$ -	\$ 2,332,400	\$ -	\$ -	\$ 1,776,562	\$ 43,887
	Pearl of the Mississippi project	-	-	229,002	-	10,000	-
	Nonmajor governmental	206,497	-	-	-	307,324	-
	Water pollution control	-	-	3,813,854	-	-	-
	Transfer station	-	-	-	752,796	-	-
	Nonmajor enterprise	306,712	-	-	-	118,029	-
	Total	\$ 513,209	\$ 2,332,400	\$ 4,042,856	\$ 752,796	\$ 2,211,915	\$ 43,887

Transfers are used to move revenues from the fund that State statutes or the budget requires them to be collected in to the fund the State statutes or the budget requires them to be expended.

#### NOTE 5. RESTRICTED ASSETS

Transfer Station assets of \$16,251 at June 30, 2006 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Solid Waste Agency assets of \$673,276 at June 30, 2006 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

MP&W's restricted assets represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board. In accordance with the covenants of the bond resolutions, the amounts have been segregated into various funds or accounts. The rate stabilization fund and the depreciation, extension and improvement fund may be used for capital or other funding requirements, and the extraordinary operation and maintenance account may be used for extraordinary operating expenses at the discretion of the board.

The composition of the restricted funds as of December 31, 2005, was as follows:

Current accounts:	
Bond sinking fund	\$ 13,810,208
Depreciation, extension and improvement fund	1,533,919
Rate stabilization fund	5,884,380
Extraordinary operation and maintenance account	<u>26,965,213</u>
Total restricted assets	<u>\$ 48,193,720</u>

#### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

##### Primary government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 8,250,296	\$ 568,741	\$ (5,000)	\$ -	\$ 8,814,037
Art work	4,710,501	239,675	-	-	4,950,176
Construction in progress	<u>765,528</u>	<u>2,505,305</u>	<u>(2,014,749)</u>	<u>-</u>	<u>1,256,084</u>
Total capital assets, not being depreciated	<u>13,726,325</u>	<u>3,313,721</u>	<u>(2,019,749)</u>	<u>-</u>	<u>15,020,297</u>
Capital assets, being depreciated:					
Land improvements	12,616,234	1,092,088	(43,846)	-	13,664,476
Buildings	7,646,646	72,305	(44,990)	-	7,673,961
Building improvements	949,741	-	-	-	949,741
Equipment	4,658,866	174,542	(125,148)	-	4,708,260
Vehicles	3,716,115	245,200	(185,143)	(26,571)	3,749,601
Infrastructure	<u>47,954,952</u>	<u>128,911</u>	<u>(175,792)</u>	<u>-</u>	<u>47,908,071</u>
Total capital assets, being depreciated	<u>77,542,554</u>	<u>1,713,046</u>	<u>(574,919)</u>	<u>(26,571)</u>	<u>78,654,110</u>
Less accumulated depreciation for:					
Land improvements	(4,026,671)	(592,888)	43,846	-	(4,575,713)
Buildings	(3,812,931)	(177,712)	23,057	-	(3,967,586)
Building improvements	(261,463)	(62,213)	-	-	(323,676)
Equipment	(2,073,119)	(367,297)	96,839	-	(2,343,577)
Vehicles	(2,570,331)	(283,363)	163,019	26,571	(2,664,104)
Infrastructure	<u>(18,466,645)</u>	<u>(1,204,645)</u>	<u>46,880</u>	<u>-</u>	<u>(19,624,410)</u>
Total accumulated depreciation	<u>(31,211,160)</u>	<u>(2,688,118)</u>	<u>373,641</u>	<u>26,571</u>	<u>(33,499,066)</u>
Total capital assets, being depreciated, net	<u>46,331,394</u>	<u>(975,072)</u>	<u>(201,278)</u>	<u>-</u>	<u>45,155,044</u>
Governmental activities capital assets, net	<u>\$60,057,719</u>	<u>\$ 2,338,649</u>	<u>\$ (2,221,027)</u>	<u>\$ -</u>	<u>\$ 60,175,341</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,401,552	\$ 224,537	\$ -	\$ -	\$ 2,626,089
Construction in progress	575,616	4,781,798	(2,210,854)	-	3,146,560
Total capital assets, not being depreciated	<u>2,977,168</u>	<u>5,006,335</u>	<u>(2,210,854)</u>	<u>-</u>	<u>5,772,649</u>
Capital assets, being depreciated:					
Land improvements	10,451,799	76,075	-	-	10,527,874
Buildings	46,902,923	-	-	-	46,902,923
Building improvements	2,799,115	130,918	-	-	2,930,033
Equipment	2,119,924	1,283,417	(49,182)	-	3,354,159
Vehicles	2,494,946	569,578	(231,824)	26,571	2,859,271
Sewer system	26,824,759	771,806	-	-	27,596,565
Total capital assets, being depreciated	<u>91,593,466</u>	<u>2,831,794</u>	<u>(281,006)</u>	<u>26,571</u>	<u>94,170,825</u>
Less accumulated depreciation for:					
Land improvements	(6,200,455)	(552,419)	-	-	(6,752,874)
Buildings	(21,466,867)	(1,263,468)	-	-	(22,730,335)
Building improvements	(1,190,781)	(138,435)	-	-	(1,329,216)
Equipment	(1,315,847)	(220,707)	44,682	-	(1,491,872)
Vehicles	(1,538,698)	(239,393)	221,864	(26,571)	(1,582,798)
Sewer system	(7,863,827)	(544,214)	-	-	(8,408,041)
Total accumulated depreciation	<u>(39,576,475)</u>	<u>(2,958,636)</u>	<u>266,546</u>	<u>(26,571)</u>	<u>(42,295,136)</u>
Total capital assets, being depreciated, net	<u>52,016,991</u>	<u>(126,842)</u>	<u>(14,460)</u>	<u>-</u>	<u>51,875,689</u>
Business type activities capital assets, net	<u>\$ 54,994,159</u>	<u>\$ 4,879,493</u>	<u>\$ (2,225,314)</u>	<u>\$ -</u>	<u>\$ 57,648,338</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

Public safety	\$ 272,077
Public works	1,394,100
Culture and recreation	963,958
Community and economic development	20,606
General government	35,049
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,328</u>

Total depreciation expense –  
governmental activities

\$ 2,688,118

Business-type activities:

Water pollution control plant	\$ 1,625,065
Refuse collection	83,832
Transfer station	297,775
Airport	433,120
Parking	37,291
Transit	76,552
Golf course	84,064
Boat harbor	9,807
Ambulance	54,152
Public housing	<u>256,978</u>

Total depreciation expense –  
business-type activities

\$ 2,958,636

## Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,041,087	\$ 77,021	\$ (37,500)	\$ 1,080,608
Construction in Progress	-	27,046	-	27,046
Total Capital assets, not being depreciated	1,041,087	104,067	(37,500)	1,107,654
Capital assets, being depreciated:				
Land improvements	41,975	-	-	41,975
Buildings	157,406	-	(120,092)	37,314
Equipment	9,237	-	-	9,237
Leachate collection system	564,686	-	-	564,686
Total capital assets, being depreciated	773,304	-	(120,092)	653,212
Less accumulated depreciation for:				
Land improvements	(14,746)	(3,124)	-	(17,870)
Buildings	(11,296)	(933)	1,501	(10,728)
Equipment	(5,081)	(924)	-	(6,005)
Leachate collection system	(134,939)	(18,823)	-	(153,762)
Total accumulated depreciation	(166,062)	(23,804)	1,501	(188,365)
Total capital assets, being depreciated, net	607,242	(23,804)	(118,591)	464,847
Solid Waste Agency capital assets, net	\$ 1,648,329	\$ 80,263	\$ (156,091)	\$ 1,572,501

Activity for Muscatine Power & Water for the year ended December 31, 2005 was as follows.

	Beginning Balance	Increases/ Reclassifications	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	\$ 2,933,797	\$ -	\$ -	\$ -	\$ 2,933,797
Construction work in progress	1,174,491	6,382,977	(121,712)	(4,687,493)	2,748,263
Total capital assets, not being depreciated	4,108,288	6,382,977	(121,712)	(4,687,493)	5,682,060
Capital assets, being depreciated:					
Generation plant	308,615,014	24,365	(32,612)	1,232,962	309,839,729
Transmission and distribution plant	47,789,112	623,283	(34,914)	1,734,479	50,111,960
General plant	19,187,879	76,215	(250,754)	668,416	19,681,756
Source of supply	1,447,541	-	-	4,452	1,451,993
Pumping equipment	1,112,572	8,271	(4,135)	50,723	1,167,431
Purification equipment	1,000,873	-	-	21,622	1,022,495
Distribution system	12,458,138	341,711	(35,296)	682,366	13,446,919
Network operations plant	21,650,759	929,699	(200,887)	310,034	22,689,605
Total capital assets being depreciated	413,261,888	2,003,544	(558,598)	4,705,054	419,411,888
Less accumulated depreciation for:					
Generation plant	175,723,556	10,064,993	(32,613)	-	185,755,936
Transmission and distribution plant	29,400,793	1,827,757	(48,369)	-	31,180,181
General plant	10,939,481	1,438,614	(223,952)	-	12,154,143
Unallocated contribution in aid of construction	660,488	-	-	-	660,488
Source of supply	890,341	48,251	-	-	938,592
Pumping equipment	492,278	36,385	(4,136)	-	524,527
Purification system	582,392	26,686	-	-	609,078
Distribution system	4,389,456	273,932	(35,296)	-	4,628,092
Network operations plant and general plant	8,789,669	2,346,370	(112,024)	-	11,024,515
Total accumulated depreciation	231,868,454	16,063,488	(456,390)	-	247,475,552
Total capital assets, being depreciated, net	181,393,434	(14,059,944)	(102,208)	4,705,054	171,936,336
Muscatine Power & Water capital assets, net	\$ 185,501,722	\$ (7,676,967)	\$ (223,920)	\$ 17,561	\$ 177,618,396

## NOTE 7. CAPITAL LEASE

The government has entered into a lease agreement as lessee for financing the acquisition of finance department equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

Copier	\$ 14,863
Less accumulated depreciation	<u>(10,405)</u>
Book value June 30, 2006	<u>\$ 4,458</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

<u>Year Ending June 30</u>	
2007	\$ 3,490
2008	<u>3,198</u>
Total minimum lease payments	6,688
Less: amount representing interest	<u>(415)</u>
Present value of minimum lease payments	<u>\$ 6,273</u>

## NOTE 8. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2006 total \$14,014,431. These bonds bear interest at rates ranging from 2.00% to 5.20%. Portions of the general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds, which are expected to be paid by the enterprise funds, is included in those funds.

General obligation bonds as of June 30, 2006 consist of the following individual issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance 6/30/2006</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General obligation bonds							
General corporate	12/1/1995	\$ 3,800,000	4.60-5.20%	\$ 1,437,864	(1)	\$ -	\$ 1,437,864
General corporate	6/1/1997	1,735,000	5.00	250,000		250,000	-
General corporate	6/1/1998	7,765,000	4.45-4.80	4,038,715	(2)	155,000	3,883,715
General corporate	6/1/1999	3,910,000	4.35-4.40	1,315,599	(3)	90,000	1,225,599
General corporate	6/1/2001	4,300,000	4.00-4.40	2,625,000		2,625,000	-
General corporate	6/1/2003	1,780,000	2.00-3.00	1,372,799	(4)	1,372,799	-
General corporate	6/1/2006	2,990,000	3.70-4.00	2,974,454	(5)	2,974,454	-
				<u>\$ 14,014,431</u>		<u>\$ 7,467,253</u>	<u>\$ 6,547,178</u>

1. Net of unamortized discount of \$7,136
2. Net of unamortized discount/charge of \$316,285
3. Net of unamortized discount of \$9,401
4. Net of unamortized discount of \$7,201
5. Net of unamortized discount of \$15,546

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental</b>		<b>Business-Type</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 1,057,416	\$ 284,202	\$ 941,438	\$ 320,635
2008	1,072,416	243,148	996,438	276,980
2009	1,032,416	203,450	1,031,439	230,290
2010	1,042,416	164,669	644,572	181,595
2011	1,087,416	124,423	679,572	149,560
2012-2016	2,175,173	232,684	2,253,719	235,320
	<u>\$ 7,467,253</u>	<u>\$ 1,252,576</u>	<u>\$ 6,547,178</u>	<u>\$ 1,394,380</u>

**Tax Increment Revenue Bonds.** The City issued \$1,795,000 of tax increment revenue bonds in June 1997. The proceeds of these bonds are to be used to pay a portion of the cost of carrying out projects in the Downtown Urban Renewal Area. Repayment of these bonds is to come from the incremental taxes from the Downtown Tax Increment Fund. In April 2004 the City issued an additional \$420,000 of tax increment revenue bonds for property acquisition in the Downtown Urban Renewal Area and in June 2004 \$1,885,000 of tax increment bonds were issued to fund public improvements in the Southend Urban Renewal Area.

Tax increment revenue bonds as of June 30, 2006 consist of the following issues:

	<b>Issue Date</b>	<b>Amount Issued</b>	<b>Interest Rates</b>	<b>Balance June 30, 2006</b>
<b>Tax Increment Revenue Bonds:</b>				
Urban Renewal Tax Increment Revenue Bonds	6/26/1997	\$ 1,795,000	5.25-5.75%	\$ 900,000
Urban Renewal Tax Increment Revenue Bonds	4/23/2004	420,000	1.80-4.25	365,000
Urban Renewal Tax Increment Revenue Bonds	6/24/2004	1,885,000	2.15-5.90	<u>1,715,000</u>
				<u>\$ 2,980,000</u>

Annual debt service requirements to maturity for tax increment revenue bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 280,000	\$ 146,978
2008	285,000	135,138
2009	300,000	122,666
2010	310,000	108,983
2011	325,000	94,223
2012-2016	790,000	292,386
2017-2021	690,000	121,880
	<u>\$ 2,980,000</u>	<u>\$ 1,022,254</u>

**Changes in Long-Term Debt.** Long-term liability activity for the year ended June 30, 2006 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 5,630,000	\$ 2,990,000	\$ (1,130,000)	\$ 7,490,000	\$ 1,060,000
Tax increment revenue bonds	3,245,000	-	(265,000)	2,980,000	280,000
Less issuance discounts	(8,230)	(15,546)	1,029	(22,747)	(2,584)
Total bonds payable	8,866,770	2,974,454	(1,393,971)	10,447,253	1,337,416
Capital leases	9,249	-	(2,976)	6,273	3,176
Compensated absences	955,873	568,827	(471,456)	1,053,244	501,809
Governmental activity long-term liabilities	<u>\$ 9,831,892</u>	<u>\$ 3,543,281</u>	<u>\$ (1,868,403)</u>	<u>\$ 11,506,770</u>	<u>\$ 1,842,401</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 7,820,001	\$ -	\$ (940,000)	\$ 6,880,001	\$ 985,000
Less issuance discounts	(376,385)	-	43,562	(332,823)	(43,561)
Total bonds payable	7,443,616	-	(896,438)	6,547,178	941,439
Compensated absences	350,018	231,748	(253,634)	328,132	180,027
Business-type activity long-term liabilities	<u>\$ 7,793,634</u>	<u>\$ 231,748</u>	<u>\$ (1,150,072)</u>	<u>\$ 6,875,310</u>	<u>\$ 1,121,466</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$27,635 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

**Discretely presented component units**

Activity for the Solid Waste Agency for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 7,264	\$ 2,105	\$ (1,244)	\$ 8,125	\$ 8,125

Activity for Muscatine Power & Water Electric Utility for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Series 2001 revenue bonds	\$ 49,090,000	\$ -	\$ -	\$ 49,090,000
Series 2002 revenue bonds	48,000,000	-	(11,465,000)	36,535,000
	97,090,000	-	(11,465,000)	85,625,000
Unamortized portion of deferred loss on refundings	(2,545,347)	-	789,403	(1,755,944)
Unamortized portion of revenue bond premiums	1,819,898	-	(336,431)	1,483,467
Total long-term debt	96,364,551	\$ -	\$ (11,012,028)	85,352,523
Less current installments	11,465,000			11,780,000
Long-term debt, net of current portion	<u>\$ 84,899,551</u>			<u>\$ 73,572,523</u>



The revenue bonds, which rank on a parity with each other, are secured by future net revenues of the electric utility as defined in the bond resolutions. At December 31, 2005, they mature and bear interest as follows:

<u>Maturity Date</u>	<b>Series 2002</b>		<b>Series 2001</b>	
	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 1,				
2006	\$ 11,780,000	3.2%	-	-
2007	12,160,000	3.6	-	-
2008	12,595,000	4.0	-	-
2009	-	-	\$ 11,305,000	5.5%
2010	-	-	11,930,000	5.5
2011	-	-	12,585,000	5.5
2012	-	-	<u>13,270,000</u>	5.5
	<u>\$ 36,535,000</u>		<u>\$ 49,090,000</u>	

In prior years, the Utility provided for the advance refunding of certain revenue bonds. In connection with these advance refundings, the Utility deposited certain amounts in irrevocable trust funds for the repayment of all principal and interest on the advance refunded bonds. The Utility is contingently liable for repayment of these bonds which in the aggregate amounted to \$85,625,000 at December 31, 2005. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2005 as the outstanding bonds are considered defeased.

The bond resolutions contain certain covenants which among others, require the collection, segregation and distribution of utility plant revenue into various segregated funds, place certain restrictions on future borrowing and leasing or disposition of assets, require the maintenance of a minimum debt service coverage ratio and require that minimum insurance coverage be maintained.

#### **NOTE 9. LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the Muscatine County Solid Waste Management Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,177,196 reported as landfill closure and post closure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 58.5% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$434,604 as the remaining estimated capacity is filled over the 22 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2006. The Agency expects the currently-permitted landfill property to reach its capacity in 2028. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

## **NOTE 10. RETIREMENT SYSTEMS**

### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$345,326, \$341,440, and \$352,453, respectively, equal to the required contributions for each year.

### **Municipal Fire and Police Retirement System of Iowa**

The City contributes to the Municipal Fire and Police Retirement System of Iowa, which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> Street, Des Moines, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$905,847, \$800,972 and \$641,133, respectively, which met the required minimum contribution for each year.

### **International City Management Association**

According to specific provisions of the State Code of Iowa, a police chief or a fire chief of a local participating government may request from the Police Retirement Board or Fire Retirement Board exemption from the retirement system. This exemption allows that such contributions of the City for their retirement may be made to the International City Management Association's (ICMA) retirement program. The amount is not to exceed an amount which would have been made under the provisions of Section 411 of the State Code of Iowa. The police chief of the City has taken this option. Therefore, during the year the City has contributed a total of \$8,854 to this retirement program for the police chief. The City's contribution rate was comparable to the FICA and IPERS rates for other City employees.

Also, the Iowa Public Employees Retirement System regulations exempt the City Administrator from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator in lieu of IPERS. For the year ended June 30, 2006, this contribution totaled \$6,792, which represents a contribution level of 6% plus a lump sum contribution of \$1,000.

## NOTE 11. DEFICIT FUND EQUITY

Several funds of the City have a fund balance deficit or have a deficit net assets as of June 30, 2006. These funds and the amount of the deficit are as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Capital projects:	
Employee Benefits	\$ 56,219
Pearl of the Mississippi project	974,719
Community Development	3,882

None of these deficits are considered a violation of any law, and they are all expected to be eliminated through future operations.

## NOTE 12. POST EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS

The City provides certain health care benefits for its retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65. For the year ended June 30, 2006, twenty-eight individuals participated in this continuation of health insurance coverage at a cost to these individuals of \$128,212.

The City, additionally, has an employee benefit program for employees laid off as a result of budget reductions. The employee must be at least 55 years of age but no more than 65 years of age except for the case of a police officer or a firefighter who must be at least 50 years of age but no more than 55 years of age. Employees must also have had at least 15 years of continuous service with the City. The City will provide 100% paid single medical insurance for the employee until the employee reaches the age of 65 or until the employee is re-employed in a position where medical insurance is available or obtains medical insurance from another source. The City will pay 90% of the family coverage if such individual had family coverage during the time of employment for a period of one year after termination after which the City will pay 75% the second year, 50% the third year and 25% after the fourth year. Participation by the City will cease in the fifth year. For police officers and firefighters, this provision is effective until the age of 55. For the year ended June 30, 2006, two individuals were eligible for benefits under this program at a cost to the City of \$9,500.

In 1986, Congress approved the Consolidated Omnibus Budget Reconciliation Act of 1986 which includes the provision for the continuation of group insurance coverage to either the employee or dependents depending upon the circumstances. For the City, this coverage includes health insurance and dental insurance. The death of a covered employee, a divorce or legal separation of the covered employee from the employee's spouse, the covered employee's commencement of Medicare coverage, the cessation of a dependent child's coverage under the terms of the plan, the termination of employment other than by reason of gross misconduct of the covered employee or the reduction of hours of the employee are events which would allow for such continuation. The continuation period is thirty-six months except for the termination of employment or reduction of hours, which allows for only an eighteen-month period. The premium for coverage during the continuation period is to be paid by the employee or the employee's dependent to the City on a monthly basis. It is the employee's responsibility to notify the employer of any change in status, which might involve the continuation of coverage. For the year ended June 30, 2006, seven individuals participated in the continuation of insurance coverage at a cost to the individuals of \$15,254.

### NOTE 13. INDUSTRIAL REVENUE BONDS

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$6,240,000 as of June 30, 2006.

### NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance.

The City has established a Health Insurance Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Funds. Health benefits were self-insured up to a specific stop loss amount of \$75,000, and an aggregate stop loss of approximately \$2,161,000 for 2006. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$245,730 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2006 and 2005 are summarized as follows:

Liabilities at July 1, 2004	\$ 189,243
Claims and changes in estimates during fiscal year 2005	1,914,286
Claim payments	<u>(1,759,756)</u>
Liabilities at June 30, 2005	\$ 343,773
Claims and changes in estimates during fiscal year 2006	1,773,610
Claim payments	<u>(1,871,653)</u>
Liabilities at June 30, 2006	<u>\$ 245,730</u>

## **NOTE 15. COMMITMENTS AND CONTINGENCIES**

The City Attorney has reported that as of June 30, 2006, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

Additionally, the employee benefit program for employees laid off as a result of budget reductions allows for the lump sum payment for unused sick leave in accordance with the standard policy currently in effect. The sick leave payoff provision is provided to all employees who are laid off as part of the budgetary process regardless of age or length of City employment. For the year ended June 30, 2006, there was a payment to one employee of \$14,267 under this program.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control and Airport Funds. The remaining commitment on these contracts as of June 30, 2006, is \$4,185,460.

As a member of the Muscatine Area Geographic Information Consortium (MAGIC), the City is responsible for one-third of the operating expenses incurred by MAGIC. The City's contribution for fiscal year 2007 is set at \$71,970.

The Solid Waste Agency had remaining contract commitments of \$70,951 as of June 30, 2006.

The Utility has a coal supply contract for a total contract minimum of 500,000 tons of coal for the years 2006 and 2007.

The Utility has an energy supply agreement to sell 10 megawatts of annual capacity with an 85% minimum load factor through May 31, 2007, to an unaffiliated utility. The contract requires the delivery of energy only if capacity is available or energy can otherwise be acquired by Muscatine Power & Water from other sources.

The Utility has contracted to sell steam to a local customer. The ten-year agreement began July 1, 2000. The customer is obligated to take a minimum annual quantity of steam each year (2,338,920 kilopounds). As part of the contract, the Utility made capital improvements of approximately \$12 million, which are expected to be recovered in revenues from the customer under the terms of the agreement. If the customer elects to terminate the agreement before the end of the contract, the customer has agreed to reimburse the Utility for any unrecovered capital improvements.

The Utility has a rail transportation agreement with two separate companies for the delivery of coal through December 31, 2009 and December 31, 2012. The utility's first agreement is for coal shipped from Campbell and Converse Counties, Wyoming to an interchange with the local delivery carrier. The price is subject to annual adjustment. The Utility's minimum requirement is that all tons shipped, up to 1,100,000 annually, from Campbell and Converse Counties, Wyoming shall be covered by this agreement. In the event that the utility does not meet their minimum requirement, the utility has agreed to pay a per ton penalty for up to 1,100,000 tons annually. The second agreement covers the shipment of coal from the interchange to the utility's electric generating station by the local delivery carrier. The contract rate is determined by the interchange that the train travels through, and is adjusted quarterly. There is no annual minimum tonnage requirement.

## **NOTE 16. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the City of Muscatine. The statements, which might impact the City of Muscatine, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ended June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the city for the fiscal year ended June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, the Statement was effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**City of Muscatine, Iowa**

**Budgetary Comparison Schedule of  
Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - Budgetary Basis  
Budgeted Governmental and Proprietary Funds**

**Required Supplementary Information**

**For the Year Ended June 30, 2006**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total Actual</b>	<b>Budgeted Amounts</b>		<b>Final Budget to Actual Variance</b>
				<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>						
<b>Taxes:</b>						
Property	\$ 9,841,238	\$ -	\$ 9,841,238	\$ 9,837,794	\$ 9,837,794	\$ 3,444
Tax increment financing	1,056,388	-	1,056,388	969,602	1,056,087	301
Other city tax	2,919,474	-	2,919,474	2,596,118	2,936,118	(16,644)
Licenses and permits	332,377	8,688	341,065	320,500	329,700	11,365
Use of money and property	532,673	889,028	1,421,701	1,004,950	1,172,270	249,431
Intergovernmental	5,659,687	1,250,484	6,910,171	7,191,138	6,586,320	323,851
Charges for services	416,045	8,703,398	9,119,443	9,287,400	9,332,150	(212,707)
Special assessments	5,926	1,131	7,057	7,000	7,100	(43)
Miscellaneous	1,599,640	2,079,678	3,679,318	3,703,350	3,786,200	(106,882)
<b>Total revenues</b>	<b>22,363,448</b>	<b>12,932,407</b>	<b>35,295,855</b>	<b>34,917,852</b>	<b>35,043,739</b>	<b>252,116</b>
<b>Expenditures:</b>						
Public safety	5,854,172	-	5,854,172	5,659,756	5,915,327	(61,155)
Public works	1,628,950	-	1,628,950	1,655,600	1,693,700	(64,750)
Health and social service	16,660	-	16,660	16,700	16,700	(40)
Culture and recreation	2,694,762	-	2,694,762	2,648,177	2,842,101	(147,339)
Community and economic development	2,080,040	-	2,080,040	2,292,447	2,157,796	(77,756)
General government	1,818,058	-	1,818,058	1,775,600	1,895,100	(77,042)
Debt service	3,072,973	-	3,072,973	3,069,989	3,073,489	(516)
Capital projects	3,176,700	-	3,176,700	2,947,368	3,932,701	(756,001)
Business type activities	-	16,494,377	16,494,377	15,373,680	18,434,690	(1,940,313)
<b>Total expenditures</b>	<b>20,342,315</b>	<b>16,494,377</b>	<b>36,836,692</b>	<b>35,439,317</b>	<b>39,961,604</b>	<b>(3,124,912)</b>
<b>Revenues over (under) expenditures</b>	<b>2,021,133</b>	<b>(3,561,970)</b>	<b>(1,540,837)</b>	<b>(521,465)</b>	<b>(4,917,865)</b>	<b>3,377,028</b>
<b>Other financing sources (uses):</b>						
Proceeds of Long Term Debt	2,310,224	664,228	2,974,452	1,945,000	2,990,000	(15,548)
Proceeds of Fixed Asset Sales	275,840	208,516	484,356	-	453,500	30,856
Transfers in	5,490,311	5,830,250	11,320,561	9,588,552	12,401,429	(1,080,868)
Transfers out	(9,062,478)	(2,258,083)	(11,320,561)	(9,588,552)	(12,401,429)	1,080,868
<b>Total other financing sources (uses)</b>	<b>(986,103)</b>	<b>4,444,911</b>	<b>3,458,808</b>	<b>1,945,000</b>	<b>3,443,500</b>	<b>15,308</b>
<b>Net change in fund balances</b>	<b>1,035,030</b>	<b>882,941</b>	<b>1,917,971</b>	<b>1,423,535</b>	<b>(1,474,365)</b>	<b>3,392,336</b>
<b>Fund balances, June 30, 2005</b>	<b>8,623,742</b>	<b>6,617,170</b>	<b>15,240,912</b>	<b>14,119,490</b>	<b>15,235,697</b>	<b>5,215</b>
<b>Fund balances, June 30, 2006</b>	<b>\$ 9,658,772</b>	<b>\$ 7,500,111</b>	<b>\$ 17,158,883</b>	<b>\$ 15,543,025</b>	<b>\$ 13,761,332</b>	<b>\$ 3,397,551</b>



City of Muscatine, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2006

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	GAAP Basis	Enterprise and Budgeted Internal Service Funds Budget Basis	Adjustments	Business-Type Activities - Enterprise Funds GAAP Basis
Revenues	\$ 22,363,448	\$ 35,899	\$ 22,399,347	\$ 12,932,407	\$ (2,722,504)	\$ 10,209,903
Expenditures/expenses	20,342,315	(679,393)	19,662,922	16,494,377	(4,896,674)	11,597,703
Net	2,021,133	715,292	2,736,425	(3,561,970)	2,174,170	(1,387,800)
Other financing sources (uses), net	(986,103)	(711,109)	(1,697,212)	4,444,911	546,480	4,991,391
Beginning fund balances/net assets	8,623,742	22,974	8,646,716	6,617,170	47,462,992	54,080,162
Ending fund balances/net assets	<u>\$ 9,658,772</u>	<u>\$ 27,157</u>	<u>\$ 9,685,929</u>	<u>\$ 7,500,111</u>	<u>\$ 50,183,642</u>	<u>\$ 57,683,753</u>

## **CITY OF MUSCATINE, IOWA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2006**

#### **NOTE 1. Basis of Budgeting**

Annual budgets are adopted following required public notice and hearings for all funds with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances represent commitments related to unperformed contracts for goods or services and include purchase orders, contracts or other commitments for expenditures of resources, which reserve a portion of the appropriation. For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriation in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. In the preceding budget schedules, expenditures include current fiscal year encumbrances and exclude the payment of prior year encumbrances. Additionally, all general obligation bond payments including those which for accounting purposes are accounted for through enterprise funds are budgeted in the debt service fund. The annual budget may be amended during the year following statutorily prescribed procedures.

#### **NOTE 2. Budget Functions**

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Enterprise Funds and certain Permanent and Internal Service Funds. Although the budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$4,522,287. A large portion of this increase was related to capital project construction schedules. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006 expenditures in each of the nine functions did not exceed their budgeted amounts.

# **NON-MAJOR GOVERNMENTAL FUNDS**

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are utilized to account for revenues derived from specific sources which are accounted for as separate funds. These funds are as follows:

**COMMUNITY DEVELOPMENT BLOCK GRANT** - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

**ROAD USE TAX** - Accounts for road use tax allocated to the City to be used to maintain and improve the City's street system.

**EQUIPMENT REPLACEMENT** - Accounts for appropriations for and replacement of capital equipment for general operations of the City.

**COMPUTER REPLACEMENT** - Accounts for appropriations for and replacement of computer hardware and software for the general operations of the City.

**SECTION 8 HOUSING PROGRAM** - Accounts for the operations of the City's Section 8 Housing Program which provides rental assistance to low income individuals and families in the City.

**EMERGENCY TAX** - Accounts for proceeds from the \$.27 per \$1,000 emergency tax levy.

**POLICE FORFEITURES** - Accounts for funds received by the police department from seized and forfeited properties under guidelines established by the U.S. Department of Justice and the State of Iowa.

**LAW ENFORCEMENT BLOCK GRANT** - Accounts for funds received through this federal grant program which provides funding for crime prevention, law enforcement equipment and law enforcement overtime.

**DOWNTOWN TAX INCREMENT** - Accounts for the incremental taxes from the expanded Downtown Urban Renewal Area and the debt service requirements on the tax increment revenue bonds which financed improvements in the downtown area.

**SOUTHEND TAX INCREMENT** - Accounts for the incremental taxes from the Southend Urban Renewal Area which funded an economic development grant for an expanding business in this area, other improvements in the southend area, and the debt requirements on the tax increment revenue bonds which financed improvements in the southend area.

**NORTHEAST TAX INCREMENT** - Accounts for the incremental taxes from the Northeast Urban Renewal Area.

**ART CENTER SPECIAL FUNDS** - Accounts for the Alice Dodge Schaeffer Trust, the principal and interest of which is used for the conservation of furnishings, which accompanied this trust. Also accounts for the General Donations Trust which is used for cash donations to the Art Center either for specific purchases or general donations to be used to fund acquisitions designated by the Board of Trustees of the Art Center. Also accounts for funds received from the estate of Brad Burns.

**LIBRARY SPECIAL FUNDS** - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library and the Homebound Delivery Trust used for donations to further the home delivery program.

**PARKS DONATIONS** - Accounts for funds from the estate of Frank C. Bishop to be used for park improvements.

**INSURANCE FUND** - Accounts for funds returned to the City for favorable claims experience under the City's general liability and automobile liability policies.

## **CAPITAL PROJECTS FUNDS**

The Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital facilities and other major fixed assets, with the exception of those that are financed by Enterprise and Internal Service Funds. The project funds reflect the nature of the capital projects and are as follows:

**COMMUNITY DEVELOPMENT IMPROVEMENTS FUND** - Accounts for urban renewal improvements, housing rehabilitation, and building demolition projects in designated areas of the City.

**STREET AND SIDEWALK IMPROVEMENTS FUND** - Accounts for annual street resurfacing, curb replacement, and sidewalk construction programs.

**OTHER STREET IMPROVEMENTS FUND** - Accounts for other street projects throughout the City.

**RIVERFRONT IMPROVEMENT PROJECTS FUND** - Accounts for riverfront development and levee improvement projects.

**OTHER PUBLIC IMPROVEMENTS FUND** - Accounts for construction and improvements to City buildings, improvements of City park facilities and the geographical information system (GIS) project.

## **PERMANENT FUNDS**

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that benefit the City's programs and services.

**McWhirter-Gilmore Trust** - Accounts for funds received which accompanied the gift of the Musser Mansion museum facility. Interest earnings on this trust are used for the maintenance of the museum building.

**Perpetual Care Trust** - Accounts for the portion of cemetery lot sales designated for perpetual care.

**Perpetual Care Interest Trust** - Accounts for interest earned on cemetery perpetual care funds which is required to be used for the operation and maintenance of the cemetery facility.

**Cemetery Special Trusts** - Accounts for funds received, the interest earnings of which are designated to be used to maintain specific cemetery lots or to provide floral arrangements for these lots.

**City of Muscatine, Iowa**

**Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2006**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Assets:</b>				
Cash and pooled investments	\$ 2,003,939	\$ 1,052,420	\$ 13,483	\$ 3,069,842
Investments	1,326,397	-	976,000	2,302,397
Receivables (net of allowance for uncollectibles):				
Interest	17,857	3,577	6,842	28,276
Taxes	187,614	-	-	187,614
Special assessments	-	3,834	-	3,834
Intergovernmental	148,048	212,069	-	360,117
Accounts	18,196	13,500	-	31,696
Advances to other funds	89,014	9,656	5,794	104,464
<b>Total assets</b>	<u>3,791,065</u>	<u>1,295,056</u>	<u>1,002,119</u>	<u>6,088,240</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable and accruals	46,420	468,644	1,160	516,224
Due to federal government	264,154	-	-	264,154
Advances from other funds	2,503	9,656	5,794	17,953
Deferred revenue	179,262	3,479	-	182,741
<b>Total liabilities</b>	<u>492,339</u>	<u>481,779</u>	<u>6,954</u>	<u>981,072</u>
<b>Fund balances:</b>				
Reserved for:				
Advances to other funds	89,014	9,656	5,794	104,464
Perpetual care	-	-	800,208	800,208
Endowments	-	-	189,163	189,163
Capital projects	-	289,322	-	289,322
Unreserved	3,209,712	514,299	-	3,724,011
<b>Total fund balances</b>	<u>3,298,726</u>	<u>813,277</u>	<u>995,165</u>	<u>5,107,168</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,791,065</u>	<u>\$ 1,295,056</u>	<u>\$ 1,002,119</u>	<u>\$ 6,088,240</u>

City of Muscatine, Iowa

Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2006

	Special Revenue	Capital Projects	Permanent	Totals
Revenues:				
Taxes:				
Property	\$ 1,226,201	\$ -	\$ -	\$ 1,226,201
Utility	1,030	-	-	1,030
Intergovernmental	3,515,310	528,684	-	4,043,994
Use of money and property	86,991	16,294	31,787	135,072
Special assessments	-	5,926	-	5,926
Other	71,967	22,692	8,820	103,479
Total revenues	4,901,499	573,596	40,607	5,515,702
Expenditures:				
Current:				
Public safety	1,664	-	-	1,664
Culture and recreation	71,968	-	2,096	74,064
Community and economic development	1,479,561	-	-	1,479,561
Debt service:				
Principal	265,000	-	-	265,000
Interest	157,710	-	-	157,710
Capital outlay:				
Public safety	18,705	158,273	-	176,978
Public works	-	1,895,491	-	1,895,491
Culture and recreation	98,239	17,295	-	115,534
Community and economic development	-	125,100	-	125,100
General government	28,578	115,896	-	144,474
Total expenditures	2,121,425	2,312,055	2,096	4,435,576
Revenues over (under) expenditures	2,780,074	(1,738,459)	38,511	1,080,126
Other financing sources (uses):				
General obligation bonds issued	-	1,989,822	-	1,989,822
General obligation bond discount	-	(10,667)	-	(10,667)
Transfers in	163,785	350,036	-	513,821
Transfers out	(2,143,785)	(42,402)	(25,728)	(2,211,915)
Total other financing sources (uses)	(1,980,000)	2,286,789	(25,728)	281,061
Net change in fund balances	800,074	548,330	12,783	1,361,187
Fund balances, June 30, 2005	2,498,652	264,947	982,382	3,745,981
Fund balances, June 30, 2006	\$ 3,298,726	\$ 813,277	\$ 995,165	\$ 5,107,168

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures	Law Enforcement Block Grant
Assets:								
Cash and pooled investments	\$ 23,659	\$ 730,393	\$ 32,557	\$ 5,860	\$ 1,348	\$ -	\$ 3,727	\$ 4,201
Investments	-	-	-	-	626,397	-	-	-
Receivables (net of allowance for uncollectibles):								
Interest	-	-	504	56	2,302	-	-	-
Taxes	-	-	-	-	-	181,765	-	-
Accounts	-	-	-	-	75	-	-	-
Intergovernmental	60	147,988	-	-	-	-	-	-
Advances to other funds	-	-	89,014	-	-	-	-	-
Total assets	<u>23,719</u>	<u>878,381</u>	<u>122,075</u>	<u>5,916</u>	<u>630,122</u>	<u>181,765</u>	<u>3,727</u>	<u>4,201</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable and accruals	-	-	-	4,335	17,938	-	-	-
Due to federal government	-	-	-	-	264,154	-	-	-
Advances from other funds	-	-	-	-	-	2,503	-	-
Deferred revenue	-	-	-	-	-	179,262	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,335</u>	<u>282,092</u>	<u>181,765</u>	<u>-</u>	<u>-</u>
Fund balances:								
Reserved for advances to other funds	-	-	89,014	-	-	-	-	-
Unreserved, undesignated	<u>23,719</u>	<u>878,381</u>	<u>33,061</u>	<u>1,581</u>	<u>348,030</u>	<u>-</u>	<u>3,727</u>	<u>4,201</u>
Total fund balances	<u>23,719</u>	<u>878,381</u>	<u>122,075</u>	<u>1,581</u>	<u>348,030</u>	<u>-</u>	<u>3,727</u>	<u>4,201</u>
Total liabilities and fund balances	<u>\$ 23,719</u>	<u>\$ 878,381</u>	<u>\$ 122,075</u>	<u>\$ 5,916</u>	<u>\$ 630,122</u>	<u>\$ 181,765</u>	<u>\$ 3,727</u>	<u>\$ 4,201</u>

<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Northeast Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Insurance</u>	<u>Total</u>
\$ 349,417	\$ 358,303	\$ 247,522	\$ 101,059	\$ 24,184	\$ 47,248	\$ 74,461	\$ 2,003,939
-	-	-	400,000	300,000	-	-	1,326,397
3,416	2,772	1,621	2,207	3,973	326	680	17,857
-	5,849	-	-	-	-	-	187,614
-	18,121	-	-	-	-	-	18,196
-	-	-	-	-	-	-	148,048
-	-	-	-	-	-	-	89,014
<u>352,833</u>	<u>385,045</u>	<u>249,143</u>	<u>503,266</u>	<u>328,157</u>	<u>47,574</u>	<u>75,141</u>	<u>3,791,065</u>
-	-	-	-	24,147	-	-	46,420
-	-	-	-	-	-	-	264,154
-	-	-	-	-	-	-	2,503
-	-	-	-	-	-	-	179,262
-	-	-	-	24,147	-	-	492,339
-	-	-	-	-	-	-	89,014
<u>352,833</u>	<u>385,045</u>	<u>249,143</u>	<u>503,266</u>	<u>304,010</u>	<u>47,574</u>	<u>75,141</u>	<u>3,209,712</u>
<u>352,833</u>	<u>385,045</u>	<u>249,143</u>	<u>503,266</u>	<u>304,010</u>	<u>47,574</u>	<u>75,141</u>	<u>3,298,726</u>
<u>\$ 352,833</u>	<u>\$ 385,045</u>	<u>\$ 249,143</u>	<u>\$ 503,266</u>	<u>\$ 328,157</u>	<u>\$ 47,574</u>	<u>\$ 75,141</u>	<u>\$ 3,791,065</u>



City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2006

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures	Law Enforcement Block Grant
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,814	\$ -	\$ -
Utility	-	-	-	-	-	1,030	-	-
Intergovernmental:								
HUD grants	-	-	-	-	1,490,949	-	-	-
Road use tax	-	1,898,676	-	-	-	-	-	-
Federal grants	109,387	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-
Interest	-	-	1,965	145	18,569	-	16	182
Other:								
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	23,984	14	4,663	-	3,532	-
Total revenues	109,387	1,898,676	25,949	159	1,514,181	170,844	3,548	182
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	1,664	-
Culture and recreation	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	1,235,312	-	-	-
Capital outlay:								
Public safety	-	-	15,497	-	-	-	-	-
Culture and recreation	-	-	63,363	-	-	-	-	3,208
General government	-	-	-	28,578	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	-	-	78,860	28,578	1,235,312	-	1,664	3,208
Revenues over (under) expenditures	109,387	1,898,676	(52,911)	(28,419)	278,869	170,844	1,884	(3,026)
Other financing sources (uses):								
Transfers in	-	-	133,785	30,000	-	-	-	-
Transfers out	(109,387)	(1,727,564)	-	-	-	(170,844)	-	-
Total other financing sources (uses)	(109,387)	(1,727,564)	133,785	30,000	-	(170,844)	-	-
Net change in fund balances	-	171,112	80,874	1,581	278,869	-	1,884	(3,026)
Fund balances, June 30, 2005	23,719	707,269	41,201	-	69,161	-	1,843	7,227
Fund balances, June 30, 2006	\$ 23,719	\$ 878,381	\$ 122,075	\$ 1,581	\$ 348,030	\$ -	\$ 3,727	\$ 4,201

<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Northeast Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Insurance</u>	<u>Total</u>
\$ 405,132	\$ 446,826	\$ 204,429	\$ -	\$ -	\$ -	\$ -	\$ 1,226,201
-	-	-	-	-	-	-	1,030
-	-	-	-	-	-	-	1,490,949
-	-	-	-	-	-	-	1,898,676
-	-	-	-	-	-	-	109,387
-	-	-	-	16,298	-	-	16,298
14,019	11,769	6,498	18,459	10,896	1,487	2,986	86,991
-	-	-	2,649	7,944	-	-	10,593
-	-	-	4,230	949	-	24,002	61,374
<u>419,151</u>	<u>458,595</u>	<u>210,927</u>	<u>25,338</u>	<u>36,087</u>	<u>1,487</u>	<u>26,988</u>	<u>4,901,499</u>
-	-	-	-	-	-	-	1,664
-	-	-	15,417	56,551	-	-	71,968
91,820	60,436	91,993	-	-	-	-	1,479,561
-	-	-	-	-	-	-	18,705
-	-	-	22,203	12,673	-	-	98,239
-	-	-	-	-	-	-	28,578
180,000	85,000	-	-	-	-	-	265,000
72,165	85,545	-	-	-	-	-	157,710
<u>343,985</u>	<u>230,981</u>	<u>91,993</u>	<u>37,620</u>	<u>69,224</u>	<u>-</u>	<u>-</u>	<u>2,121,425</u>
<u>75,166</u>	<u>227,614</u>	<u>118,934</u>	<u>(12,282)</u>	<u>(33,137)</u>	<u>1,487</u>	<u>26,988</u>	<u>2,780,074</u>
-	-	-	-	-	-	-	163,785
-	(85,990)	-	(10,000)	-	-	(40,000)	(2,143,785)
-	(85,990)	-	(10,000)	-	-	(40,000)	(1,980,000)
75,166	141,624	118,934	(22,282)	(33,137)	1,487	(13,012)	800,074
<u>277,667</u>	<u>243,421</u>	<u>130,209</u>	<u>525,548</u>	<u>337,147</u>	<u>46,087</u>	<u>88,153</u>	<u>2,498,652</u>
<u>\$ 352,833</u>	<u>\$ 385,045</u>	<u>\$ 249,143</u>	<u>\$ 503,266</u>	<u>\$ 304,010</u>	<u>\$ 47,574</u>	<u>\$ 75,141</u>	<u>\$ 3,298,726</u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Balance Sheet  
June 30, 2006**

	<b>Community Development Improvements</b>	<b>Street and Sidewalk Improvements</b>	<b>Other Street Improvements</b>	<b>Riverfront Improvement Projects</b>
<b>Assets:</b>				
Cash and pooled investments	\$ 4,685	\$ 113,005	\$ 365,659	\$ 304,880
Receivables:				
Interest	-	143	873	2,083
Special assessments	-	1,577	2,257	-
Intergovernmental	-	-	202,221	9,848
Accounts	13,500	-	-	-
Advances to other funds	-	-	9,656	-
	<u>-</u>	<u>-</u>	<u>9,656</u>	<u>-</u>
Total assets	<u>18,185</u>	<u>114,725</u>	<u>580,666</u>	<u>316,811</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	12,411	82,150	200,312	1,903
Advances from other funds	9,656	-	-	-
Deferred revenue	-	1,222	2,257	-
	<u>-</u>	<u>1,222</u>	<u>2,257</u>	<u>-</u>
Total liabilities	<u>22,067</u>	<u>83,372</u>	<u>202,569</u>	<u>1,903</u>
<b>Fund balances:</b>				
Reserved for advances to other funds	-	-	9,656	-
Reserved for capital projects	-	-	196,521	-
Unreserved, undesignated	(3,882)	31,353	171,920	314,908
	<u>(3,882)</u>	<u>31,353</u>	<u>171,920</u>	<u>314,908</u>
Total fund balances	<u>(3,882)</u>	<u>31,353</u>	<u>378,097</u>	<u>314,908</u>
Total liabilities and fund balances	<u>\$ 18,185</u>	<u>\$ 114,725</u>	<u>\$ 580,666</u>	<u>\$ 316,811</u>

<b>Other Public Improvements</b>	<b>Total</b>
\$ 264,191	\$ 1,052,420
478	3,577
-	3,834
-	212,069
-	13,500
-	9,656
<u>264,669</u>	<u>1,295,056</u>

171,868	468,644
-	9,656
-	3,479
<u>171,868</u>	<u>481,779</u>

-	9,656
92,801	289,322
-	514,299
<u>92,801</u>	<u>813,277</u>
<u>\$ 264,669</u>	<u>\$ 1,295,056</u>

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2006**

	<u>Community Development Improvements</u>	<u>Street and Sidewalk Improvements</u>	<u>Other Street Improvements</u>	<u>Riverfront Improvement Projects</u>
Revenues:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ 377,228	\$ -
State grants	-	-	-	7,575
Interest	-	1,035	3,970	9,131
Special assessments	-	1,416	4,510	-
Other:				
Contributions	400	-	-	5,000
Reimbursement of costs	13,500	-	1,602	-
	<u>13,900</u>	<u>2,451</u>	<u>387,310</u>	<u>21,706</u>
Total revenues	<u>13,900</u>	<u>2,451</u>	<u>387,310</u>	<u>21,706</u>
Expenditures:				
Capital outlay:				
Public safety	-	-	-	-
Public works	-	202,529	1,066,636	-
Culture and recreation	-	-	-	7,875
Community and economic development	125,100	-	-	-
General government	-	-	-	-
	<u>125,100</u>	<u>202,529</u>	<u>1,066,636</u>	<u>7,875</u>
Total expenditures	<u>125,100</u>	<u>202,529</u>	<u>1,066,636</u>	<u>7,875</u>
Revenues over (under) expenditures	<u>(111,200)</u>	<u>(200,078)</u>	<u>(679,326)</u>	<u>13,831</u>
Other financing sources (uses):				
General obligation bonds issued	44,807	-	823,135	-
General obligation bond discount	(240)	-	(4,414)	-
Transfers in	100,295	202,529	-	42,712
Transfers out	(894)	(3,606)	-	-
	<u>143,968</u>	<u>198,923</u>	<u>818,721</u>	<u>42,712</u>
Total other financing sources (uses)	<u>143,968</u>	<u>198,923</u>	<u>818,721</u>	<u>42,712</u>
Net change in fund balances	32,768	(1,155)	139,395	56,543
Fund balances (deficits), June 30, 2005	<u>(36,650)</u>	<u>32,508</u>	<u>238,702</u>	<u>258,365</u>
Fund balances (deficits), June 30, 2006	<u>\$ (3,882)</u>	<u>\$ 31,353</u>	<u>\$ 378,097</u>	<u>\$ 314,908</u>

<b>Other Public Improvements</b>	<b>Total</b>
\$ 143,881	\$ 521,109
-	7,575
2,158	16,294
-	5,926
2,190	7,590
-	15,102
<u>148,229</u>	<u>573,596</u>
158,273	158,273
626,326	1,895,491
9,420	17,295
-	125,100
<u>115,896</u>	<u>115,896</u>
<u>909,915</u>	<u>2,312,055</u>
<u>(761,686)</u>	<u>(1,738,459)</u>
1,121,880	1,989,822
(6,013)	(10,667)
4,500	350,036
<u>(37,902)</u>	<u>(42,402)</u>
<u>1,082,465</u>	<u>2,286,789</u>
320,779	548,330
<u>(227,978)</u>	<u>264,947</u>
<u>\$ 92,801</u>	<u>\$ 813,277</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Balance Sheet  
June 30, 2006**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>Assets:</b>					
Cash and pooled investments	\$ 5,420	\$ 4,208	\$ -	\$ 3,855	\$ 13,483
Investments	100,000	796,000	-	80,000	976,000
Receivables:					
Interest	413	-	5,794	635	6,842
Advances to other funds	-	-	-	5,794	5,794
<b>Total assets</b>	<b>105,833</b>	<b>800,208</b>	<b>5,794</b>	<b>90,284</b>	<b>1,002,119</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	-	-	-	1,160	1,160
Advances from other funds	-	-	5,794	-	5,794
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>5,794</b>	<b>1,160</b>	<b>6,954</b>
<b>Fund balances:</b>					
Reserved for advances to other funds	-	-	-	5,794	5,794
Reserved for perpetual care	-	800,208	-	-	800,208
Reserved for endowments	105,833	-	-	83,330	189,163
<b>Total fund balances</b>	<b>105,833</b>	<b>800,208</b>	<b>-</b>	<b>89,124</b>	<b>995,165</b>
<b>Total liabilities and fund balances</b>	<b>\$ 105,833</b>	<b>\$ 800,208</b>	<b>\$ 5,794</b>	<b>\$ 90,284</b>	<b>\$ 1,002,119</b>

City of Muscatine, Iowa

Non-Major Permanent Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2006

	McWhirter- Gillmore Trust	Perpetual Care Trust	Perpetual Care Interest Trust	Cemetery Special Trusts	Total
Revenues:					
Cemetery perpetual care	\$ -	\$ 8,820	\$ -	\$ -	\$ 8,820
Interest	3,887	-	25,728	2,172	31,787
Total revenues	3,887	8,820	25,728	2,172	40,607
Expenditures:					
Current:					
Culture and recreation	-	-	-	2,096	2,096
Revenues over (under) expenditures	3,887	8,820	25,728	76	38,511
Other financing uses:					
Transfers out	-	-	(25,728)	-	(25,728)
Net change in fund balances	3,887	8,820	-	76	12,783
Fund balances, June 30, 2005	101,946	791,388	-	89,048	982,382
Fund balances, June 30, 2006	\$ 105,833	\$ 800,208	\$ -	\$ 89,124	\$ 995,165



## **NON-MAJOR ENTERPRISE FUNDS**

The Enterprise Funds are utilized to account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the cost of providing goods and services to the general public on a continuing basis is expected to be recovered primarily through user charges. The City has also established Enterprise Funds when the determination has been made that it is advantageous to segregate revenues earned, expenses incurred and/or net income for purposes of capital maintenance, public policy, management control or accountability.

**REFUSE COLLECTION** - Accounts for the operations involved in the collection of refuse from residential dwellings and certain commercial businesses in the City.

**AIRPORT OPERATIONS** - Accounts for the activities of the Municipal Airport. This activity is supported by user charges and a subsidy from the General Fund.

**PARKING OPERATIONS** - Accounts for the operations of "on" and "off-street" parking meters and parking in designated lots. All activities necessary to provide for such services are accounted for in this fund including, but not limited to, meter enforcement, maintenance and administration.

**TRANSIT OPERATIONS** - Accounts for the operations of the municipal transit system. The system is funded from user fees, grants, and property taxes from a special levy.

**GOLF COURSE** - Accounts for the operation and maintenance of the Municipal Golf Course. This includes activities necessary to provide for the operation of the course as well as capital improvements.

**BOAT HARBOR** - Accounts for the operation and maintenance of the municipal boat harbor in addition to capital improvements to the harbor.

**MARINA OPERATIONS** - Accounts for the operation of the City's gas barge which provides fuel sales to boaters on the Mississippi River.

**AMBULANCE OPERATIONS** - Accounts for the Fire Department Ambulance Service which began providing service July 1, 2000.

**PUBLIC HOUSING** - Accounts for the operations of the City's public housing program which includes a 100-unit elderly housing facility, a 50-unit family facility and two scattered site housing units.

**City of Muscatine, Iowa**

**Non-Major Enterprise Funds  
Combining Statement of Net Assets  
June 30, 2006**

	<u>Refuse Collection</u>	<u>Airport Operations</u>	<u>Parking Operations</u>	<u>Transit Operations</u>	<u>Golf Course</u>
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ 145,223	\$ -	\$ 6,641	\$ 157,506	\$ 49,168
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Interest	1,468	-	356	1,208	62
Accounts	163,529	836	2,629	6,886	8,619
Intergovernmental:					
Federal	-	238,935	-	-	-
State	-	-	-	314,649	-
County	-	-	-	-	-
Advances to other funds	-	-	65,545	-	-
Inventories	-	-	-	-	-
<b>Total current assets</b>	<u>310,220</u>	<u>239,771</u>	<u>75,171</u>	<u>480,249</u>	<u>57,849</u>
Noncurrent assets:					
Deferred charges	2,105	-	-	-	-
Capital assets:					
Land	-	1,211,917	579,686	-	80,000
Land improvements	-	7,585,640	464,008	-	1,102,678
Buildings and building improvements	1,312,083	1,606,025	-	14,231	618,132
Equipment	160,319	20,694	32,370	-	291,094
Vehicles	497,660	37,671	-	914,034	14,784
Construction in progress	-	22,283	-	-	-
Less accumulated depreciation	(745,690)	(5,556,182)	(315,024)	(381,949)	(1,024,676)
Total capital assets net of accumulated depreciation	<u>1,224,372</u>	<u>4,928,048</u>	<u>761,040</u>	<u>546,316</u>	<u>1,082,012</u>
<b>Total noncurrent assets</b>	<u>1,226,477</u>	<u>4,928,048</u>	<u>761,040</u>	<u>546,316</u>	<u>1,082,012</u>
<b>Total assets</b>	<u>1,536,697</u>	<u>5,167,819</u>	<u>836,211</u>	<u>1,026,565</u>	<u>1,139,861</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	39,608	13,647	1,159	381,567	10,974
Compensated absences payable	25,009	-	6,541	12,672	4,807
Advances from other funds	-	236,830	-	-	-
Deposits	-	-	-	-	-
Accrued interest payable	2,687	-	-	-	-
Unearned revenue	413	2,851	25,485	392	1,135
General obligation bonds	67,299	-	-	-	-
<b>Total current liabilities</b>	<u>135,016</u>	<u>253,328</u>	<u>33,185</u>	<u>394,631</u>	<u>16,916</u>
Noncurrent liabilities:					
General obligation bonds	582,955	-	-	-	-
Compensated absences	13,151	-	8,039	5,533	5,447
<b>Total noncurrent liabilities</b>	<u>596,106</u>	<u>-</u>	<u>8,039</u>	<u>5,533</u>	<u>5,447</u>
<b>Total liabilities</b>	<u>731,122</u>	<u>253,328</u>	<u>41,224</u>	<u>400,164</u>	<u>22,363</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	574,118	4,928,048	761,040	546,316	1,082,012
Unrestricted	231,457	(13,557)	33,947	80,085	35,486
<b>Total net assets</b>	<u>\$ 805,575</u>	<u>\$ 4,914,491</u>	<u>\$ 794,987</u>	<u>\$ 626,401</u>	<u>\$ 1,117,498</u>

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 3,611	\$ -	\$ -	\$ 3,856	\$ 366,005
-	-	-	654,216	654,216
-	-	-	6,008	9,102
-	2,956	123,201	5,339	313,995
-	-	-	35,047	273,982
-	-	-	-	314,649
-	-	15,700	-	15,700
-	-	-	-	65,545
-	7,482	-	-	7,482
<u>3,611</u>	<u>10,438</u>	<u>138,901</u>	<u>704,466</u>	<u>2,020,676</u>
-	-	-	-	2,105
-	-	-	105,000	1,976,603
196,161	-	-	97,144	9,445,631
-	-	-	7,431,321	10,981,792
-	-	6,499	80,448	591,424
-	-	369,974	58,154	1,892,277
-	-	-	-	22,283
<u>(119,787)</u>	<u>-</u>	<u>(258,316)</u>	<u>(4,485,734)</u>	<u>(12,887,358)</u>
<u>76,374</u>	<u>-</u>	<u>118,157</u>	<u>3,286,333</u>	<u>12,022,652</u>
<u>76,374</u>	<u>-</u>	<u>118,157</u>	<u>3,286,333</u>	<u>12,024,757</u>
<u>79,985</u>	<u>10,438</u>	<u>257,058</u>	<u>3,990,799</u>	<u>14,045,433</u>
1,937	5,626	13,632	117,305	585,455
400	-	10,505	15,055	74,989
-	4,812	60,733	-	302,375
-	-	-	32,926	32,926
-	-	-	-	2,687
-	-	-	8,823	39,099
-	-	-	-	67,299
<u>2,337</u>	<u>10,438</u>	<u>84,870</u>	<u>174,109</u>	<u>1,104,830</u>
-	-	-	-	582,955
<u>1,160</u>	<u>-</u>	<u>5,801</u>	<u>11,626</u>	<u>50,757</u>
<u>1,160</u>	<u>-</u>	<u>5,801</u>	<u>11,626</u>	<u>633,712</u>
<u>3,497</u>	<u>10,438</u>	<u>90,671</u>	<u>185,735</u>	<u>1,738,542</u>
<u>76,374</u>	<u>-</u>	<u>118,157</u>	<u>3,286,333</u>	<u>11,372,398</u>
<u>114</u>	<u>-</u>	<u>48,230</u>	<u>518,731</u>	<u>934,493</u>
<u>\$ 76,488</u>	<u>\$ -</u>	<u>\$ 166,387</u>	<u>\$ 3,805,064</u>	<u>\$ 12,306,891</u>

City of Muscatine, Iowa

Non-Major Enterprise Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2006

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ 1,308,476	\$ -	\$ -	\$ -	\$ -
Parking fees	-	-	186,316	-	-
Transit fees	-	-	-	105,907	-
Golf course fees	-	-	-	-	331,288
Boat harbor fees	-	-	-	-	-
Management fees	-	8,700	-	-	-
Rents	-	26,390	-	-	-
Other	3,732	8,474	1,830	237	71,544
Total operating revenues	1,312,208	43,564	188,146	106,144	402,832
Operating expenses:					
Cost of sales and services:					
Personal services	475,156	-	152,468	483,110	170,518
Commodities	56,824	4,158	6,829	88,647	76,691
Contractual services	579,329	135,708	9,520	103,514	77,965
Administration	49,200	6,600	14,400	11,300	30,200
Depreciation	83,832	433,120	37,291	76,552	84,064
Total operating expenses	1,244,341	579,586	220,508	763,123	439,438
Operating income (loss)	67,867	(536,022)	(32,362)	(656,979)	(36,606)
Non-operating revenues (expenses):					
Federal, state and local grants	-	5,000	-	302,064	-
Interest revenue	6,360	-	1,728	5,479	698
Interest expense	(39,139)	-	-	-	-
Bond issuance costs	(263)	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues (expenses), net	(33,042)	5,000	1,728	307,543	698
Income (loss) before capital contributions and transfers	34,825	(531,022)	(30,634)	(349,436)	(35,908)
Capital contributions - grants	-	199,417	-	320,883	-
Transfers in	-	198,832	-	225,349	-
Change in net assets	34,825	(132,773)	(30,634)	196,796	(35,908)
Net assets, June 30, 2005	770,750	5,047,264	825,621	429,605	1,153,406
Net assets, June 30, 2006	\$ 805,575	\$ 4,914,491	\$ 794,987	\$ 626,401	\$ 1,117,498

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ -	\$ 703,895	\$ -	\$ 2,012,371
-	-	-	-	186,316
-	-	-	-	105,907
-	-	-	-	331,288
21,782	-	-	-	21,782
-	-	-	-	8,700
-	-	-	335,179	361,569
-	26,616	31,400	31,831	175,664
<u>21,782</u>	<u>26,616</u>	<u>735,295</u>	<u>367,010</u>	<u>3,203,597</u>
13,520	-	564,332	302,946	2,162,050
859	20,082	51,413	81,099	386,602
5,744	7,094	118,461	237,679	1,275,014
3,700	-	119,700	-	235,100
9,807	-	54,152	256,978	1,035,796
<u>33,630</u>	<u>27,176</u>	<u>908,058</u>	<u>878,702</u>	<u>5,094,562</u>
<u>(11,848)</u>	<u>(560)</u>	<u>(172,763)</u>	<u>(511,692)</u>	<u>(1,890,965)</u>
-	-	-	269,204	576,268
-	-	460	20,377	35,102
-	-	-	-	(39,139)
-	-	-	-	(263)
-	-	-	(3,800)	(3,800)
<u>-</u>	<u>-</u>	<u>460</u>	<u>285,781</u>	<u>568,168</u>
(11,848)	(560)	(172,303)	(225,911)	(1,322,797)
-	-	-	122,518	642,818
-	560	-	-	424,741
(11,848)	-	(172,303)	(103,393)	(255,238)
<u>88,336</u>	<u>-</u>	<u>338,690</u>	<u>3,908,457</u>	<u>12,562,129</u>
<u>\$ 76,488</u>	<u>\$ -</u>	<u>\$ 166,387</u>	<u>\$ 3,805,064</u>	<u>\$ 12,306,891</u>

**City of Muscatine, Iowa**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2006**

	<b>Refuse Collection</b>	<b>Airport Operations</b>	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,306,120	\$ 44,726	\$ 192,661	\$ 101,745	\$ 402,590
Payments to suppliers	(506,085)	(126,756)	(17,459)	(54,410)	(156,579)
Payments to employees	(334,630)	-	(114,424)	(407,232)	(139,841)
Payments for employee benefits	(146,423)	-	(31,318)	(73,793)	(40,456)
Payments for interfund services used	(150,566)	(10,153)	(14,400)	(147,794)	(30,385)
Net cash provided (used) by operating activities	<u>168,416</u>	<u>(92,183)</u>	<u>15,060</u>	<u>(581,484)</u>	<u>35,329</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	198,832	-	225,349	-
Advances from other funds	-	191,460	-	-	-
Advances to other funds	-	-	(65,545)	-	-
Repayment of advances to other funds	-	-	-	45,370	-
Subsidies from federal, state and local grants	-	5,000	-	315,236	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>395,292</u>	<u>(65,545)</u>	<u>585,955</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	-	-	-	-
Purchase of capital assets	(108,569)	(303,109)	-	-	(22,144)
Principal paid on capital debt	(68,392)	-	-	-	-
Interest paid on capital debt	(35,269)	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(212,230)</u>	<u>(303,109)</u>	<u>-</u>	<u>-</u>	<u>(22,144)</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	6,143	-	1,838	5,344	636
Net cash provided (used) by investing activities	<u>6,143</u>	<u>-</u>	<u>1,838</u>	<u>5,344</u>	<u>636</u>
Net increase (decrease) in cash and pooled investments	(37,671)	-	(48,647)	9,815	13,821
Cash and pooled investments, June 30, 2005	<u>182,894</u>	<u>-</u>	<u>55,288</u>	<u>147,691</u>	<u>35,347</u>
Cash and pooled investments, June 30, 2006	<u>\$ 145,223</u>	<u>\$ -</u>	<u>\$ 6,641</u>	<u>\$ 157,506</u>	<u>\$ 49,168</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ 67,867	\$ (536,022)	\$ (32,362)	\$ (656,979)	\$ (36,606)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	83,832	433,120	37,291	76,552	84,064
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(5,890)	1,018	(2,350)	(4,427)	(28)
Intergovernmental receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Increase (decrease) in:					
Accounts payable and accruals	28,701	9,557	928	1,257	(2,108)
Compensated absences payable	(5,896)	-	4,688	2,085	(9,779)
Deferred revenue	(198)	144	6,865	28	(214)
Deposits	-	-	-	-	-
Total adjustments	<u>100,549</u>	<u>443,839</u>	<u>47,422</u>	<u>75,495</u>	<u>71,935</u>
Net cash provided (used) by operating activities	<u>\$ 168,416</u>	<u>\$ (92,183)</u>	<u>\$ 15,060</u>	<u>\$ (581,484)</u>	<u>\$ 35,329</u>

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 21,782	\$ 24,754	\$ 759,410	\$ 373,524	\$ 3,227,312
(6,636)	(33,480)	(150,722)	(247,411)	(1,299,538)
(8,838)	-	(427,930)	(226,484)	(1,659,379)
(4,474)	-	(144,426)	(69,299)	(510,189)
(3,700)	-	(134,720)	(46,117)	(537,835)
<u>(1,866)</u>	<u>(8,726)</u>	<u>(98,388)</u>	<u>(215,787)</u>	<u>(779,629)</u>
-	560	-	-	424,741
-	4,812	60,733	-	257,005
-	-	-	-	(65,545)
-	-	-	-	45,370
-	-	-	268,694	588,930
<u>-</u>	<u>5,372</u>	<u>60,733</u>	<u>268,694</u>	<u>1,250,501</u>
-	-	-	122,518	122,518
-	-	-	(149,398)	(583,220)
-	-	-	-	(68,392)
-	-	-	-	(35,269)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,880)</u>	<u>(564,363)</u>
-	-	-	1,550,540	1,550,540
-	-	-	(1,597,623)	(1,597,623)
-	-	878	17,898	32,737
<u>-</u>	<u>-</u>	<u>878</u>	<u>(29,185)</u>	<u>(14,346)</u>
(1,866)	(3,354)	(36,777)	(3,158)	(107,837)
<u>5,477</u>	<u>3,354</u>	<u>36,777</u>	<u>7,014</u>	<u>473,842</u>
<u>\$ 3,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,856</u>	<u>\$ 366,005</u>
<u>\$ (11,848)</u>	<u>\$ (560)</u>	<u>\$ (172,763)</u>	<u>\$ (511,692)</u>	<u>\$ (1,890,965)</u>
9,807	-	54,152	256,978	1,035,796
-	(1,862)	8,415	2,822	(2,302)
-	-	15,700	-	15,700
-	(4,397)	-	-	(4,397)
-	-	1,152	-	1,152
(33)	(1,907)	2,980	33,799	73,174
208	-	(8,024)	(1,386)	(18,104)
-	-	-	(1,233)	5,392
-	-	-	4,925	4,925
<u>9,982</u>	<u>(8,166)</u>	<u>74,375</u>	<u>295,905</u>	<u>1,111,336</u>
<u>\$ (1,866)</u>	<u>\$ (8,726)</u>	<u>\$ (98,388)</u>	<u>\$ (215,787)</u>	<u>\$ (779,629)</u>

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are established to finance and account for services and commodities furnished by one department or agency of the City to other departments or agencies of the City. Internal Service Funds are as follows:

**EQUIPMENT SERVICES FUND** - Accounts for the operations and maintenance of the central garage. All costs incurred for the maintenance of City vehicles and operation of the facility are charged to departments on a cost reimbursement basis.

**CENTRAL SUPPLIES FUND** - Accounts for the central inventory of office supplies which are provided to City departments on a cost reimbursement basis.

**HEALTH INSURANCE FUND** - Accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to employees.

**DENTAL INSURANCE FUND** – Accounts for the costs related to the City's self-insurance plan which provides dental insurance benefits to employees.



**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2006**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ 66,625	\$ -	\$ 648,212	\$ 9,933	\$ 724,770
Receivables:					
Interest	-	-	4,101	91	4,192
Accounts	2,082	-	125	-	2,207
Advances to other funds	-	-	891	-	891
Inventories	<u>129,530</u>	<u>1,712</u>	<u>-</u>	<u>-</u>	<u>131,242</u>
Total current assets	<u>198,237</u>	<u>1,712</u>	<u>653,329</u>	<u>10,024</u>	<u>863,302</u>
Capital assets:					
Equipment	122,889	-	-	-	122,889
Vehicles	48,140	-	-	-	48,140
Less accumulated depreciation	<u>(158,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,134)</u>
Total capital assets net of accumulated depreciation	<u>12,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,895</u>
Total assets	<u>211,132</u>	<u>1,712</u>	<u>653,329</u>	<u>10,024</u>	<u>876,197</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	76,389	-	245,730	8,571	330,690
Compensated absences payable	11,261	-	-	-	11,261
Advances from other funds	<u>-</u>	<u>891</u>	<u>-</u>	<u>-</u>	<u>891</u>
Total current liabilities	87,650	891	245,730	8,571	342,842
Noncurrent liabilities:					
Compensated absences payable	<u>16,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,374</u>
Total liabilities	<u>104,024</u>	<u>891</u>	<u>245,730</u>	<u>8,571</u>	<u>359,216</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	12,895	-	-	-	12,895
Unrestricted	<u>94,213</u>	<u>821</u>	<u>407,599</u>	<u>1,453</u>	<u>504,086</u>
Total net assets	<u>\$ 107,108</u>	<u>\$ 821</u>	<u>\$ 407,599</u>	<u>\$ 1,453</u>	<u>\$ 516,981</u>

City of Muscatine, Iowa

Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2006

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 470,980	\$ -	\$ -	\$ -	\$ 470,980
Fuel	336,462	-	-	-	336,462
Supply charges	-	2,656	-	-	2,656
Employer contributions	-	-	1,592,684	48,711	1,641,395
Employee contributions	-	-	59,019	42,819	101,838
Other contributions	664	-	140,194	3,549	144,407
Total operating revenues	<u>808,106</u>	<u>2,656</u>	<u>1,791,897</u>	<u>95,079</u>	<u>2,697,738</u>
Operating expenses:					
Cost of sales and services:					
Personal services	221,776	-	-	-	221,776
Commodities	454,375	2,399	-	-	456,774
Contractual services	125,252	-	1,773,610	96,326	1,995,188
Administration	12,300	-	3,000	-	15,300
Depreciation	2,328	-	-	-	2,328
Total operating expenses	<u>816,031</u>	<u>2,399</u>	<u>1,776,610</u>	<u>96,326</u>	<u>2,691,366</u>
Operating income (loss)	(7,925)	257	15,287	(1,247)	6,372
Non-operating revenues:					
Interest revenue	-	-	19,316	393	19,709
Income (loss) before transfers	(7,925)	257	34,603	(854)	26,081
Transfers out	-	-	(43,887)	-	(43,887)
Change in net assets	(7,925)	257	(9,284)	(854)	(17,806)
Net assets, June 30, 2005	<u>115,033</u>	<u>564</u>	<u>416,883</u>	<u>2,307</u>	<u>534,787</u>
Net assets, June 30, 2006	<u>\$ 107,108</u>	<u>\$ 821</u>	<u>\$ 407,599</u>	<u>\$ 1,453</u>	<u>\$ 516,981</u>

**City of Muscatine, Iowa**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2006**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 813,474	\$ 2,656	\$ 1,791,772	\$ 95,079	\$ 2,702,981
Payments to suppliers	(564,195)	(2,564)	(1,871,653)	(95,580)	(2,533,992)
Payments to employees	(161,303)	-	-	-	(161,303)
Payments for employee benefits	(59,580)	-	-	-	(59,580)
Payments for interfund services used	(12,300)	-	(3,000)	-	(15,300)
Net cash provided (used) by operating activities	<u>16,096</u>	<u>92</u>	<u>(82,881)</u>	<u>(501)</u>	<u>(67,194)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(43,887)	-	(43,887)
Repayment of Advances from other funds	-	(92)	-	-	(92)
Repayment of Advances to other funds	-	-	92	-	92
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(92)</u>	<u>(43,795)</u>	<u>-</u>	<u>(43,887)</u>
<b>Cash flows from investing activities</b>					
Interest received	-	-	19,766	302	20,068
Net increase in cash and pooled investments	16,096	-	(106,910)	(199)	(91,013)
Cash and pooled investments, June 30, 2005	<u>50,529</u>	<u>-</u>	<u>755,122</u>	<u>10,132</u>	<u>815,783</u>
Cash and pooled investments, June 30, 2006	<u>\$ 66,625</u>	<u>\$ -</u>	<u>\$ 648,212</u>	<u>\$ 9,933</u>	<u>\$ 724,770</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	<u>\$ (7,925)</u>	<u>\$ 257</u>	<u>\$ 15,287</u>	<u>\$ (1,247)</u>	<u>\$ 6,372</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,328	-	-	-	2,328
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	5,368	-	(125)	-	5,243
Inventories	(7,829)	(83)	-	-	(7,912)
Increase (decrease) in:					
Accounts payable and accruals	23,261	(82)	(98,043)	746	(74,118)
Compensated absences payable	893	-	-	-	893
Total adjustments	<u>24,021</u>	<u>(165)</u>	<u>(98,168)</u>	<u>746</u>	<u>(73,566)</u>
Net cash provided (used) by operating activities	<u>\$ 16,096</u>	<u>\$ 92</u>	<u>\$ (82,881)</u>	<u>\$ (501)</u>	<u>\$ (67,194)</u>

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency Funds are those used to account for assets held by a government as an agent for individuals, private organizations, or other governments or funds.

**PAYROLL CLEARING FUND** - Accounts for the collection and payment of employee payroll withholdings and City contributions for payroll taxes.

**MISCELLANEOUS CLEARING FUND** - Accounts for general City expenditures to be allocated to other funds and miscellaneous funds received by the City as an agent for individuals, organizations or other funds.

**HOUSING REVOLVING FUND** - Accounts for general City expenditures allocated to the City's Housing Programs, which are reimbursed by the Housing Programs.

**VEHICLE IMPOUNDMENT FUND** - Accounts for net proceeds from the sale of abandoned vehicles required to be remitted to the State of Iowa.

**City of Muscatine, Iowa**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006**

	<u>Payroll Clearing</u>	<u>Miscellaneous Clearing</u>	<u>Housing Revolving</u>	<u>Totals</u>
Assets:				
Cash and pooled investments	\$ 358,570	\$ -	\$ -	\$ 358,570
Accounts receivable	-	400	51,657	52,057
Advances to other funds	<u>51,434</u>	<u>-</u>	<u>-</u>	<u>51,434</u>
Total assets	<u>410,004</u>	<u>400</u>	<u>51,657</u>	<u>462,061</u>
Liabilities:				
Accounts payable and accruals	410,004	399	224	410,627
Advances from other funds	<u>-</u>	<u>1</u>	<u>51,433</u>	<u>51,434</u>
Total liabilities	<u>\$ 410,004</u>	<u>\$ 400</u>	<u>\$ 51,657</u>	<u>\$ 462,061</u>

City of Muscatine, Iowa  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year Ended June 30, 2006

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Cash and pooled investments	\$ 627,467	\$ 11,818,823	\$ 12,087,720	\$ 358,570
Advances to other funds	49,720	1,714	-	51,434
Total assets	<u>\$ 677,187</u>	<u>\$ 11,820,537</u>	<u>\$ 12,087,720</u>	<u>\$ 410,004</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 677,187</u>	<u>\$ 3,636,395</u>	<u>\$ 3,903,578</u>	<u>\$ 410,004</u>
<b><u>Miscellaneous Clearing Fund</u></b>				
Assets:				
Accounts receivable	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 400</u>
Liabilities:				
Accounts payable and accruals	\$ 478	\$ -	\$ 79	\$ 399
Advances from other funds	40	-	39	1
Total liabilities	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 400</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	<u>\$ 49,882</u>	<u>\$ 1,775</u>	<u>\$ -</u>	<u>\$ 51,657</u>
Liabilities:				
Accounts payable and accruals	\$ 202	\$ 22	\$ -	\$ 224
Advances from other funds	49,680	1,753	-	51,433
Total liabilities	<u>\$ 49,882</u>	<u>\$ 1,775</u>	<u>\$ -</u>	<u>\$ 51,657</u>
<b><u>Vehicle Impoundment Fund</u></b>				
Assets:				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 42,265</u>	<u>\$ 42,265</u>	<u>\$ -</u>
Liabilities:				
Accounts payable and accruals	<u>\$ -</u>	<u>\$ 89,225</u>	<u>\$ 89,225</u>	<u>\$ -</u>
<b><u>Total</u></b>				
Assets:				
Cash and pooled investments	\$ 627,467	\$ 11,861,088	\$ 12,129,985	\$ 358,570
Accounts receivable	50,400	1,775	118	52,057
Advances to other funds	49,720	1,714	-	51,434
Total assets	<u>\$ 727,587</u>	<u>\$ 11,864,577</u>	<u>\$ 12,130,103</u>	<u>\$ 462,061</u>
Liabilities:				
Accounts payable and accruals	\$ 677,867	\$ 3,725,642	\$ 3,992,882	\$ 410,627
Advances from other funds	49,720	1,753	39	51,434
Total liabilities	<u>\$ 727,587</u>	<u>\$ 3,727,395</u>	<u>\$ 3,992,921</u>	<u>\$ 462,061</u>

# STATISTICAL SECTION

This part of the City of Muscatine's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends (Schedules 1 – 5)	87-92
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (Schedules 6 – 9)	93-96
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity (Schedules 10 – 13)	97-100
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (Schedules 14 – 15)	101-102
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (Schedules 16 – 18)	103-105
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

**City of Muscatine, Iowa**  
**Net Assets by Component**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year			
	2002/2003	2003/2004	2004/2005	2005/2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 46,209,004	\$ 48,955,154	\$ 51,221,230	\$ 50,011,138
Restricted	4,262,984	3,044,136	2,948,998	3,420,397
Unrestricted	5,974,714	7,329,316	5,250,409	5,466,892
Total governmental activities net assets	<u>\$ 56,446,702</u>	<u>\$ 59,328,606</u>	<u>\$ 59,420,637</u>	<u>\$ 58,898,427</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 47,317,599	\$ 47,010,683	\$ 47,550,543	\$ 51,101,160
Unrestricted	6,395,421	6,547,924	6,529,619	6,582,593
Total business-type activities net assets	<u>\$ 53,713,020</u>	<u>\$ 53,558,607</u>	<u>\$ 54,080,162</u>	<u>\$ 57,683,753</u>
Primary government				
Invested in capital assets, net of related debt	\$ 93,526,603	\$ 95,965,837	\$ 98,771,773	\$ 101,112,298
Restricted	4,262,984	3,044,136	2,948,998	3,420,397
Unrestricted	12,370,135	13,877,240	11,780,028	12,049,485
Total primary government net assets	<u>\$ 110,159,722</u>	<u>\$ 112,887,213</u>	<u>\$ 113,500,799</u>	<u>\$ 116,582,180</u>

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.



**City of Muscatine, Iowa**  
**Changes in Net Assets**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

Expenses	Fiscal Year			
	2002/2003	2003/2004	2004/2005	2005/2006
Governmental activities:				
Public safety	\$ 5,309,173	\$ 5,561,580	\$ 6,081,788	\$ 6,164,169
Public works	3,409,044	2,970,927	3,220,525	3,802,168
Health and social services	18,400	16,560	15,700	16,660
Culture and recreation	3,146,370	2,957,891	3,466,568	3,967,702
Community and economic development	2,659,516	3,849,722	3,217,531	2,234,880
General government	1,639,035	1,659,438	1,725,955	1,844,803
Interest and fees on long-term debt	424,222	397,429	422,410	379,549
Total governmental activities expense	<u>16,605,760</u>	<u>17,413,547</u>	<u>18,150,477</u>	<u>18,409,931</u>
Business-type activities:				
Water pollution control	3,900,792	4,094,791	4,134,898	4,329,934
Refuse collection	1,177,342	1,221,882	1,243,306	1,283,743
Transfer station	2,090,482	2,002,761	2,181,508	2,130,005
Airport	550,558	621,520	551,070	579,586
Parking	191,746	204,879	205,301	220,508
Transit	636,108	618,308	678,757	763,123
Golf course	449,905	451,551	468,149	439,438
Boat harbor	42,253	41,486	33,273	33,630
Marina	15,662	8,430	8,004	27,176
Cable Television	37,340	31,137	-	-
Ambulance	660,808	749,644	914,100	908,058
Public housing	792,855	831,545	935,354	882,502
Total business-type activities expense	<u>10,545,851</u>	<u>10,877,934</u>	<u>11,353,720</u>	<u>11,597,703</u>
Total primary government expense	<u>\$ 27,151,611</u>	<u>\$ 28,291,481</u>	<u>\$ 29,504,197</u>	<u>\$ 30,007,634</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 293,522	\$ 310,762	\$ 356,703	\$ 306,954
Public works	157,213	143,089	179,104	141,803
Culture and recreation	421,507	537,726	599,761	577,257
Community and economic development	244,164	349,250	372,703	407,977
General government	324,125	307,054	324,733	432,880
Operating grants and contributions	3,940,767	4,271,667	4,617,475	4,805,002
Capital grants and contributions	644,403	2,544,051	894,158	1,733,592
Total governmental activities program revenues	<u>6,025,701</u>	<u>8,463,599</u>	<u>7,344,637</u>	<u>8,405,465</u>
Business-type activities:				
Charges for services:				
Water pollution control	2,948,850	3,537,974	3,612,206	3,745,884
Refuse collection	1,254,825	1,257,199	1,261,040	1,312,208
Transfer station	1,944,351	1,750,444	1,898,293	1,767,744
Airport	43,446	43,639	46,086	43,564
Parking	183,525	171,614	161,344	188,146
Transit	76,497	86,731	90,457	106,144
Golf course	408,070	412,069	402,214	402,832
Boat harbor	32,389	19,552	18,745	21,782
Marina	14,069	7,129	5,200	26,616
Cable Television	194,049	236,479	-	-
Ambulance	742,151	792,432	850,406	735,295
Public housing	389,880	373,202	362,487	367,010
Operating grants and contributions	600,280	594,674	551,160	619,692
Capital grants and contributions	143,759	364,601	296,941	642,818
Total business-type activities program revenues	<u>8,976,141</u>	<u>9,647,739</u>	<u>9,556,579</u>	<u>9,979,735</u>
Total primary government program revenues	<u>\$ 15,001,842</u>	<u>\$ 18,111,338</u>	<u>\$ 16,901,216</u>	<u>\$ 18,385,200</u>

	Fiscal Year			
	2002/2003	2003/2004	2004/2005	2005/2006
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (10,580,059)	\$ (8,949,948)	\$ (10,805,840)	\$ (10,004,466)
Business-type activities	(1,569,710)	(1,230,195)	(1,797,141)	(1,617,968)
Total primary government net expense	<u>\$ (12,149,769)</u>	<u>\$ (10,180,143)</u>	<u>\$ (12,602,981)</u>	<u>\$ (11,622,434)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 9,726,834	\$ 9,983,521	\$ 10,242,610	\$ 10,916,665
Utility taxes	79,468	67,339	63,638	59,209
Local option sales tax	2,103,843	2,210,111	1,938,370	2,290,018
Hotel/motel taxes	274,654	310,798	327,575	306,075
Cable franchise taxes	-	-	238,788	245,132
Intergovernmental, unrestricted	445,079	101,874	64,870	61,834
Unrestricted investment income	113,151	111,595	203,275	337,227
Gain on sale of capital assets	22,231	4,187	-	248,667
Payment in lieu of taxes	27,231	28,100	-	-
Contributions to endowments	6,660	8,100	4,500	8,820
Transfers	(225,183)	(993,773)	(2,185,755)	(4,991,391)
Total governmental activities	<u>12,573,968</u>	<u>11,831,852</u>	<u>10,897,871</u>	<u>9,482,256</u>
Business-type activities:				
Unrestricted investment income	103,668	78,901	130,688	230,168
Gain on sale of capital assets	-	3,108	2,253	-
Transfers	225,183	993,773	2,185,755	4,991,391
Total business-type activities	<u>328,851</u>	<u>1,075,782</u>	<u>2,318,696</u>	<u>5,221,559</u>
Total primary government	<u>\$ 12,902,819</u>	<u>\$ 12,907,634</u>	<u>\$ 13,216,567</u>	<u>\$ 14,703,815</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 1,993,909	\$ 2,881,904	\$ 92,031	\$ (522,210)
Business-type activities	(1,240,859)	(154,413)	521,555	3,603,591
Total primary government	<u>\$ 753,050</u>	<u>\$ 2,727,491</u>	<u>\$ 613,586</u>	<u>\$ 3,081,381</u>

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.

City of Muscatine, Iowa  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)

	Fiscal Year									
	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03 (1)	2003/04	2004/05	2005/06
General Fund										
Reserved	\$ 26,650	\$ 39,903	\$ 23,165	\$ 37,728	\$ 5,347	\$ 18,846	\$ 28,252	\$ 36,674	\$ 27,589	\$ 27,156
Unreserved	1,824,462	2,071,446	2,049,460	1,911,902	2,080,719	1,821,534	1,926,667	1,877,669	1,697,668	1,715,921
Total General Fund	<u>\$ 1,851,112</u>	<u>\$ 2,111,349</u>	<u>\$ 2,072,625</u>	<u>\$ 1,949,630</u>	<u>\$ 2,086,066</u>	<u>\$ 1,840,380</u>	<u>\$ 1,954,919</u>	<u>\$ 1,914,343</u>	<u>\$ 1,725,257</u>	<u>\$ 1,743,077</u>
All other governmental funds										
Reserved	\$ 282,794	\$ 272,230	\$ 60,612	\$ 257,565	\$ 135,194	\$ 145,899	\$ 3,227,576	\$ 1,847,902	\$ 3,534,473	\$ 2,111,183
Unreserved, reported in:										
Special revenue funds	3,605,106	3,898,870	5,038,944	4,255,903	2,467,417	2,749,497	5,178,670	6,872,499	3,202,064	6,292,089
Capital projects funds	551,015	1,122,842	364,864	(499,368)	1,431,083	1,728,241	565,228	510,981	184,922	(460,420)
Total all other governmental funds	<u>\$ 4,438,915</u>	<u>\$ 5,293,942</u>	<u>\$ 5,464,420</u>	<u>\$ 4,014,100</u>	<u>\$ 4,033,694</u>	<u>\$ 4,623,637</u>	<u>\$ 9,071,474</u>	<u>\$ 9,231,382</u>	<u>\$ 6,921,459</u>	<u>\$ 7,942,852</u>

1. Beginning in 2002/2003 the governmental funds include the former expendable trusts and non-expendable trusts. These trusts were re-classified as special revenue and permanent funds, respectively, at the time the City implemented GASB Statement 34.

**City of Muscatine, Iowa**  
**Changes of Fund Balances of Governmental Funds**  
**Last Four Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>
<b>Revenues</b>				
Taxes	\$ 12,184,799	\$ 12,571,769	\$ 12,810,981	\$ 13,817,099
Licenses and permits	237,283	312,573	301,322	332,378
Fines and forfeitures	156,130	143,730	149,785	126,720
Intergovernmental	4,585,829	4,391,299	4,613,775	5,695,585
Charges for services	306,335	390,484	478,454	416,045
Use of money and property	238,720	270,222	354,965	532,674
Special assessments	20,201	8,751	6,882	5,926
Other	1,080,417	2,890,469	1,695,158	1,472,920
Total revenues	<u>18,809,714</u>	<u>20,979,297</u>	<u>20,411,322</u>	<u>22,399,347</u>
<b>Expenditures (1)</b>				
Public safety	4,949,302	5,237,847	5,397,682	5,743,778
Public works	1,585,422	1,399,487	1,487,544	1,553,652
Health and social services	18,400	16,560	15,700	16,660
Culture and recreation	2,237,717	2,233,786	2,366,457	2,445,399
Community and economic development	2,435,788	2,800,999	2,388,844	2,076,963
General government	1,575,566	1,564,697	1,594,378	1,754,878
Capital outlay	2,891,805	6,881,185	5,709,323	4,300,157
Debt service:				
Principal	1,587,384	1,681,018	1,377,790	1,397,975
Interest	380,812	395,867	418,977	370,960
Paying agent	2,100	2,582	2,400	2,500
Total expenditures	<u>17,664,296</u>	<u>22,214,028</u>	<u>20,759,095</u>	<u>19,662,922</u>
Excess of revenues over (under) expenditures	<u>1,145,418</u>	<u>(1,234,731)</u>	<u>(347,773)</u>	<u>2,736,425</u>
Other financing sources (uses)				
General obligation bonds issued	1,780,000	-	-	2,990,000
General obligation bond discount	(10,288)	-	-	(15,548)
Tax increment revenue bonds issued	-	2,305,000	-	-
Proceeds from capital lease	14,863	-	-	-
Sale of capital assets	-	-	-	275,840
Transfers in	4,781,693	5,284,115	5,074,263	4,905,672
Transfers out	(4,963,653)	(6,235,052)	(7,225,499)	(9,853,176)
Total other financing sources (uses)	<u>1,602,615</u>	<u>1,354,063</u>	<u>(2,151,236)</u>	<u>(1,697,212)</u>
Net change in fund balances	<u>\$ 2,748,033</u>	<u>\$ 119,332</u>	<u>\$ (2,499,009)</u>	<u>\$ 1,039,213</u>
Debt service as a percentage of non-capital expenditures	13.3%	13.6%	12.0%	11.5%

1. The City began to classify expenditures in these functional areas when it implemented GASB Statement 34 in 2002/2003.

**City of Muscatine, Iowa**  
**Governmental Activities Tax Revenue by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Incremental Property Tax (TIF Districts)</u>	<u>Utility Excise Tax (1)</u>	<u>Mobile Home Tax</u>	<u>Hotel/Motel Tax</u>	<u>Bank Franchise Tax (2)</u>	<u>Cable Franchise Tax (3)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
1996/97	\$ 7,204,490	\$ 145,349	\$ -	\$ 18,523	\$ 267,781	\$ 76,207	\$ -	\$ 2,162,948	\$ 9,875,298
1997/98	7,472,791	187,579	-	18,859	286,572	56,784	-	2,069,725	10,092,310
1998/99	7,467,075	322,425	-	17,107	298,822	-	-	2,266,753	10,372,182
1999/2000	7,701,160	469,764	-	17,118	294,318	-	-	2,207,507	10,689,867
2000/2001	7,974,925	544,471	68,144	18,010	330,850	-	-	2,451,888	11,388,288
2001/2002	8,544,437	637,922	72,767	19,366	276,207	-	-	1,985,400	11,536,099
2002/2003	8,959,144	749,270	79,468	18,420	274,654	-	-	2,103,843	12,184,799
2003/2004	9,176,000	789,101	67,339	18,420	310,798	-	-	2,210,111	12,571,769
2004/2005	9,233,886	990,224	63,638	18,500	327,575	-	238,788	1,938,370	12,810,981
2005/2006	9,841,238	1,056,387	59,209	19,040	306,075	-	245,132	2,290,018	13,817,099
Change 1996/97 to 2005/2006	36.6%	626.8%		2.8%	14.3%			5.9%	39.9%

1. Gas and electric utilities were assessed general property taxes based on assessed valuations through 1999/2000; beginning in 2000/2001 these utilities are subject to an excise tax based on the amount of energy delivered in a one year period.
2. Bank franchise tax revenue classified as intergovernmental revenue beginning in 1998/99.
3. Cable franchise tax revenue was accounted for in an enterprise fund through 2003/2004; beginning in 2004/2005 this revenue is accounted for in the General Fund.

**City of Muscatine, Iowa**  
**Taxable Value and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Tax Collection Year	Residential Property	Commercial Property	Industrial Property	Machinery & Equipment (1)	Railroads and Utilities	Less: Military Exemption	Total Taxable Value	Total Direct Tax Rate (per \$1,000 of Valuation)	Estimated Actual Value	Taxable Value as a Percentage of Estimated Actual Value
1996/97	\$ 260,285,281	\$ 108,672,099	\$ 80,689,366	\$ 88,398,014	\$ 10,400,773	\$ 3,254,326	\$ 545,191,207	\$ 13.32421	\$ 730,243,783	74.7%
1997/98	261,265,063	113,883,134	83,799,717	89,172,940	10,214,909	3,220,628	555,115,135	13.52103	741,405,977	74.9%
1998/99	264,347,762	126,616,570	85,061,816	84,167,858	10,710,915	3,149,442	567,755,479	13.24425	791,893,130	71.7%
1999/2000	274,267,804	141,001,356	86,900,503	81,202,775	11,680,094	3,069,850	591,982,682	13.03131	806,737,396	73.4%
2000/2001	270,191,149	161,617,659	98,244,262	58,812,852	6,143,188 (2)	2,949,646	592,059,464	13.46509	819,977,512	72.2%
2001/2002	282,884,359	183,724,111	109,053,872	36,245,853	6,095,471	2,857,078	615,146,588	13.93626	838,436,018	73.4%
2002/2003	312,053,447	179,321,943	111,824,874	14,739,532	6,739,905	2,772,444	621,907,257	14.35639	921,894,838	67.5%
2003/2004	314,511,010	179,354,859	114,983,487	-	7,163,614	2,679,844	613,333,126	14.84915	914,556,777	67.1%
2004/2005	304,751,605	181,561,051	114,149,216	-	6,486,449	2,547,347	604,400,974	15.14549	935,583,731	64.6%
2005/2006	309,991,311	196,029,944	116,742,479	-	7,311,377	2,455,752	627,619,359	15.51344	969,948,931	64.7%

1. The State of Iowa eliminated taxes on all new machinery and equipment beginning in the 1995/96 year and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year.
2. Beginning in 2000/2001 gas and electric utilities have been excluded from the values shown as the taxation of these utilities is no longer based on assessed values. These utilities now pay an excise tax based on the amount of energy delivered in a one year period.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa**  
**Direct and Overlapping Property Tax Rates**  
 (Rates per \$1,000 of Valuation)  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	City Direct Rates					Overlapping Rates				Totals by School District		
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Total Direct Rate	County Consolidated	School Districts		
										Muscatine Community	Louisa-Muscatine Community	Muscatine Community
1996/97	\$ 8,10000	\$ 2,01789	\$ 2,36499	\$ 0,46000	\$ 0,31383	\$ 0,06750	\$ -	\$ 13,32421	\$ 7,77573	\$ 15,84077	\$ 12,55649	\$ 36,94071
1997/98	8,10000	2,03286	2,59344	0,40136	0,32588	0,06750	-	13,52104	7,72170	15,59428	12,54750	36,83702
1998/99	8,10000	1,98965	2,41445	0,36371	0,30894	0,06750	-	13,24425	7,80018	16,00286	12,62077	37,04729
1999/2000	8,10000	2,12725	2,10208	0,33785	0,29663	0,06750	-	13,03131	7,73462	15,06575	12,99862	35,83168
2000/2001	8,10000	2,65631	2,06645	0,33494	0,24032	0,06750	-	13,46552	7,74389	14,34646	13,87696	35,55587
2001/2002	8,10000	2,34072	2,56903	0,35463	0,23438	0,06750	0,27000	13,93626	7,61234	14,41514	14,40012	35,96374
2002/2003	8,10000	2,65255	2,68750	0,31875	0,26010	0,06750	0,27000	14,35640	7,66580	14,56445	15,75821	36,58665
2003/2004	8,10000	3,04167	2,82657	0,24223	0,30117	0,06750	0,27000	14,84914	7,58716	15,51555	13,86347	37,95185
2004/2005	8,10000	3,22143	2,81627	0,35191	0,31838	0,06750	0,27000	15,14549	7,41669	16,28523	15,76815	38,4741
2005/2006	8,10000	3,26353	3,09837	0,35615	0,35789	0,06750	0,27000	15,51344	7,73543	15,55390	15,89643	38,80277
												39,14530

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, \$0.675 for the Levee, and \$0.27 for the Emergency levy as shown above. A maximum rate of \$9.95 applies to the Transit tax; the City's Transit levy is less than the maximum allowed.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
(Unaudited)**

<b>Taxpayer</b>	<b>January 1, 2004 Valuation (for 2005/2006 Tax Levy)</b>			<b>January 1, 1995 Valuation (for 1996/1997 Tax Levy)</b>		
	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percent of Total Assessed Value</b>	<b>Assessed Valuation (1)</b>	<b>Rank</b>	<b>Percent of Total Assessed Value</b>
HNI Corporation (HON Industries/HON Financial)	\$ 45,322,730	1	7.2%	\$ 32,183,039	2	5.9%
Grain Processing/Kent Feeds	39,097,740	2	6.2%	77,864,731	1	14.2%
Bandag, Inc.	17,117,120	3	2.7%	17,358,770	4	3.2%
Heinz, U.S.A.	10,446,080	4	1.7%	19,478,548	3	3.6%
Wal-Mart Stores, Inc.	9,488,700	5	1.5%			
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,212,620	6	1.1%			
BT Prime Mover	6,114,070	7	1.0%			
SECO Investment Co. (Stanley Engineering Co.)	5,900,490	8	0.9%	4,372,090	7	0.8%
W I D, Inc.	5,614,560	9	0.9%			
Central State Bank	5,407,020	10	0.9%			
First National Bank of Muscatine	5,343,800	11	0.9%	3,752,402	8	0.7%
Hy-Vee Inc.	5,214,810	12	0.8%			
TJD, LLC (CAM II)	4,592,530	13	0.7%			
Muscatine Mall Associates LLP (formerly Tri State Joint Ventures)	4,529,450	14	0.7%	6,422,710	5	1.2%
GRIDCO, LLC	4,505,900	15	0.7%			
Muscatine Plaza				4,991,230	6	0.9%
Central Can Company				3,749,032	9	0.7%
Carver Pump Company				3,385,496	10	0.6%
	<u>\$ 175,907,620</u>		<u>27.9%</u>	<u>\$ 173,558,048</u>		<u>31.8%</u>

1. January 1, 1995 assessed valuations included machinery and equipment values. The State of Iowa eliminated taxes on new machinery and equipment beginning in 1995/96 and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year. This was a significant factor in the decrease in assessed valuations for Grain Processing/Kent Feeds.

Source: Muscatine County Auditor's Office



City of Muscatine, Iowa  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (2)	Total Tax Collections (2)	Ratio of Total Tax Collections to Total Tax Levy
		Amount (1)	Percent of Levy Collected			
1996/97	\$ 7,282,264	\$ 7,237,981	99.4%	\$ 3,101	\$ 7,241,082	99.43%
1997/98	7,533,340	7,471,347	99.2%	1,444	7,472,791	99.20%
1998/99	7,560,049	7,465,048	98.7%	2,027	7,467,075	98.77%
1999/2000	7,752,936	7,699,537	99.3%	1,623	7,701,160	99.33%
2000/2001	8,026,525	7,974,736	99.4%	189	7,974,925	99.36%
2001/2002	8,631,013	8,543,226	99.0%	1,211	8,544,437	99.00%
2002/2003	8,997,159	8,957,497	99.6%	1,647	8,959,144	99.58%
2003/2004	9,180,577	9,170,392	99.9%	5,608	9,176,000	99.95%
2004/2005	9,239,618	9,229,567	99.9%	4,319	9,233,886	99.94%
2005/2006	9,837,794	9,836,626	100.0%	4,612	9,841,238	100.04%

1. Current tax collections reflect payments received by the Muscatine County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.
2. Delinquent tax collections reflect the amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.

**City of Muscatine, Iowa**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>Capital Lease</b>	<b>General Obligation Bonds</b>			
1996/97	\$ 8,287,657	\$ 1,795,000	\$ 49,545	\$ 9,973,798	\$ 20,106,000	3.7%	\$ 879
1997/98	7,830,548	1,795,000	-	9,277,195	18,902,743	3.4%	826
1998/99	6,914,403	1,745,000	-	12,297,321	20,956,724	3.6%	916
1999/2000	5,908,538	1,670,000	-	11,541,643	19,120,181	3.2%	836
2000/2001	9,155,212	1,580,000	-	10,773,739	21,508,951	3.5%	948
2001/2002	7,916,807	1,470,000	-	9,990,914	19,377,721	3.1%	854
2002/2003	8,273,115	1,340,000	14,653	9,163,088	18,790,856	3.0%	828
2003/2004	6,735,741	3,505,000	12,039	8,315,054	18,567,834	2.8%	818
2004/2005	5,621,770	3,245,000	9,249	7,443,616	16,319,635	2.4%	719
2005/2006	7,467,253	2,980,000	6,273	6,547,178	17,000,704	N/A	749

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics (Table 15) for personal income and population data.

**City of Muscatine, Iowa**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Estimated Actual Value of Property (1)</u>	<u>Percentage of Actual Valuation</u>	<u>Population (2)</u>	<u>Per Capita</u>
1996/97	\$ 18,261,455	\$ 730,243,783	2.5%	22,881	\$ 798
1997/98	17,107,743	741,405,977	2.3%	22,881	748
1998/99	19,211,724	791,893,130	2.4%	22,881	840
1999/2000	17,450,181	806,737,396	2.2%	22,881	763
2000/2001	19,928,951	819,977,512	2.4%	22,697	878
2001/2002	17,907,721	838,436,018	2.1%	22,697	789
2002/2003	17,436,203	921,894,838	1.9%	22,697	768
2003/2004	15,050,795	914,556,777	1.6%	22,697	663
2004/2005	13,065,386	935,583,731	1.4%	22,697	576
2005/2006	14,014,431	969,948,931	1.4%	22,697	617

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Sources:**

1. Muscatine County Auditor's Office
2. United States Census Bureau

**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2006**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Louisa-Muscatine School District	\$ 1,880,000	13.72%	\$ 257,936
Muscatine County	3,640,000	47.38%	1,724,632
Eastern Iowa Community College (EICC)	2,800,000	6.88%	192,640
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	37,850,000	6.88%	<u>2,604,080</u>
Subtotal, overlapping debt			\$ 4,779,288
<b>City direct debt (2)</b>		100.00%	<u>10,453,524</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 15,232,812</u></u>

1. The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the other governmental unit's taxable assessed value that is within the City of Muscatine's boundaries and dividing it by each governmental unit's total taxable value. These estimates were used for both debt to be repaid with property taxes as well as debt for the EICC to be repaid from sources other than property tax.
2. Excludes general obligation bonds reported in business-type activities.

**Sources:**

Louisa-Muscatine School District  
Muscatine County Auditor's Office  
Eastern Iowa Community College

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Muscatine. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Muscatine. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Muscatine, Iowa  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Debt limit (1)	\$ 36,512,189	\$ 37,070,299	\$ 39,594,657	\$ 40,336,870	\$ 40,998,876	\$ 41,921,801	\$ 46,094,742	\$ 45,727,839	\$ 46,779,187	\$ 48,497,447
Total debt applicable to limit	26,220,000	19,660,000	21,620,000	19,715,000	22,060,000	19,885,000	19,264,653	18,997,039	16,704,249	17,356,273
Legal debt margin	\$ 16,292,189	\$ 17,470,299	\$ 17,974,657	\$ 20,621,870	\$ 18,938,876	\$ 22,036,801	\$ 26,830,089	\$ 26,730,800	\$ 30,074,938	\$ 31,141,174
Total debt applicable to the limit as a percentage of debt limit	55.38%	52.87%	54.60%	48.88%	53.81%	47.43%	41.79%	41.54%	35.71%	35.79%

Legal Debt Margin Calculation for Fiscal Year 2005/2006

Total assessed valuation as of January 1, 2005

\$ 969,948,931

Debt limit - 5% of assessed valuation

\$ 48,497,447

Amount of debt applicable to debt limit:

General obligation bonds

14,370,000

Lease-purchase obligation

6,273

Tax increment revenue bonds

2,980,000

Total debt applicable to debt limit

17,356,273

Legal debt margin

\$ 31,141,174

1. Under state law the City's debt may not exceed 5% of the total actual valuation of property.

**City of Muscatine, Iowa  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Popula- tion (1)</b>	<b>Personal Income (2)</b>	<b>Personal Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Percent High School Graduates or Higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>
1996/97	22,881	\$ 542,096,652	\$ 23,692	35.3	74.2%	5,419	4.9%
1997/98	22,881	564,222,579	24,659	35.3	74.2%	5,311	4.2%
1998/99	22,881	584,174,811	25,531	35.3	74.2%	5,277	2.7%
1999/2000	22,881	599,299,152	26,192	35.3	74.2%	5,259	2.8%
2000/2001	22,697	610,027,269	26,877	35.8	80.3%	5,393	2.7%
2001/2002	22,697	627,186,201	27,633	35.8	80.3%	5,457	3.7%
2002/2003	22,697	634,449,241	27,953	35.8	80.3%	5,385	4.1%
2003/2004	22,697	653,128,872	28,776	35.8	80.3%	5,375	4.2%
2004/2005	22,697	685,063,551	30,183	35.8	80.3%	5,280	4.5%
2005/2006	22,697	N/A	N/A	35.8	80.3%	5,305	4.2%

**Sources:**

1. United States Census Bureau
2. Iowa Workforce Development. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2005.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

**City of Muscatine, Iowa  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>	<u>Approximate Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Estimated Total County Employment (2)</u>
HNI Corporation (HON Industries/HON Financial)	3,700	1	16.4%	2,250	1	10.9%
Grain Processing/Kent Feeds	1,432	2	6.3%	1,250	2	6.1%
Muscatine Community School District	1,100	3	4.9%	683	4	3.3%
Bandag, Inc.	550	4	2.4%	828	3	4.0%
Unity Health Care	520	5	2.3%	N/A		
Heinz, U.S.A.	509	6	2.3%	517	6	2.5%
Monsanto Company	455	7	2.0%	520	5	2.5%
Hy-Vee Food Store	419	8	1.9%	N/A		
Wal-Mart Superstore	325	9	1.4%	N/A		
Muscatine Power & Water	299	10	1.3%	260	8	1.3%
SECO Investment Co. (Stanley Engineering Co.)	248	11	1.1%	250	9	1.2%
Musco Sports Lighting	220	12	1.0%	115	12	0.6%
City of Muscatine	221	13	1.0%	217	10	1.1%
BT Prime Mover	200	14	0.9%	270	7	1.3%
Muscatine County	200	15	0.9%	150	11	0.7%
	<u>10,398</u>		<u>46.1%</u>	<u>7,310</u>		<u>35.5%</u>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2006 employment figures. The 1997 figures are from City records and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 22,575 in 2006 and 20,550 in 1997.

City of Muscatine, Iowa  
Full-Time Equivalent Employees by Function  
(Excludes Seasonal Employees)  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year									
	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
General government										
Public Safety:										
Police:	17.91	17.91	17.46	18.69	18.94	18.94	18.54	17.12	16.80	17.50
Officers (1)	37.00	40.00	40.00	40.00	40.00	40.00	38.00	37.00	37.75	38.00
Civilians (2)	9.50	9.50	9.50	11.00	13.50	13.50	13.50	13.50	4.87	3.60
Fire										
Firefighters and officers (3)	32.00	32.00	32.00	32.00	31.50	31.50	30.50	29.50	28.50	29.00
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library	15.50	14.50	15.00	16.00	16.00	16.00	16.00	15.58	15.75	15.75
Art center	3.00	3.00	4.25	4.33	4.58	4.60	4.55	4.30	4.43	4.33
Parks and recreation (4)	14.75	14.75	14.75	15.00	15.25	15.25	13.75	13.75	13.25	12.82
Community and economic development (5)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	7.00	7.00
Public works (6)	21.75	21.75	20.75	20.75	20.75	20.75	20.75	16.75	16.75	16.75
Business-type:										
Parking	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.65	3.65	3.65
Golf course	2.25	2.25	2.25	2.75	3.00	3.00	3.00	3.00	3.00	2.75
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	2.35	2.35	2.35	2.60	3.00	2.62	2.83	2.83	2.83	2.83
Refuse collection	8.83	8.83	9.00	9.00	9.00	9.00	9.80	9.80	9.80	9.80
Landfill	-	-	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.33
Transfer station	4.50	4.50	3.17	3.17	3.17	3.17	3.17	3.17	3.17	3.67
Water pollution control	26.50	26.50	26.75	27.75	28.75	29.75	29.75	29.75	29.50	29.50
Ambulance (7)	-	-	-	-	6.00	6.75	7.75	7.75	8.75	8.25
Housing	9.45	9.45	9.45	9.30	9.30	9.30	10.50	10.50	10.50	10.50
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (8)	222.54	224.54	224.76	230.42	240.82	242.21	240.47	232.53	221.88	220.78

1. Police officer positions fluctuated primarily due to grant funding for special police programs.
2. Police civilian positions were reduced by 9.5 equivalent positions when the City's dispatch center was combined with the Muscatine County dispatch operation in 2004/2005.
3. Firefighter positions allocated to the Ambulance operation fluctuated during this period.
4. Parks and recreation positions were reduced by 1.5 in 2002/2003 when the City began contracting the operation of the Cemetery office.
5. Staffing in the Community Development department was reduced due to the decline in General Fund revenues.
6. Public works staffing was reduced by 3 in the Engineering division beginning in 2003/2004.
7. The City began providing ambulance service July 1, 2000 adding 6 equivalent positions.
8. The overall decline in positions in 2003/2004 and 2004/2005 was due to the decline in revenues to provide General Fund services.

Source: City of Muscatine records



**City of Muscatine, Iowa**  
**Operating Indicators by Function/Department**  
**Last Ten Calendar or Fiscal Years**  
**(Unaudited)**

**Calendar Year Indicators**

<b>Function/Department</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Public Safety:</b>										
Police										
Calls for service	26,322	24,971	23,490	22,689	26,125	26,205	26,543	26,555	24,590	21,638
Traffic enforcement	4,323	4,002	4,296	4,697	5,524	4,284	5,574	5,535	4,946	4,020
Arrests	2,970	2,189	2,183	2,066	2,159	2,113	1,789	2,229	2,068	1,971
Parking tickets issued	1,164	1,733	1,893	1,892	1,914	2,033	1,792	2,037	2,122	1,852
Fire (includes ambulance) (1)	1,340	1,368	1,337	1,446	2,127	2,954	2,779	3,143	3,085	3,161
<b>Parks and recreation:</b>										
Weed Park Pool/Aquatic										
Center attendance (2)	16,872	15,599	17,562	20,084	15,060	17,026	19,152	-	46,576	55,948
Adult program participants (3)	626	840	865	906	879	859	862	1,075	1,006	272
Children's program participants	1,236	1,852	1,959	1,938	1,834	1,621	1,684	1,333	1,558	1,698
Cemetery burials	116	125	113	133	108	108	132	126	111	99
Community and economic development:										
Building-related permits	1,315	1,400	1,543	1,258	1,273	1,247	1,277	1,150	1,231	1,063
<b>Business-type:</b>										
Transit (4)										
Total passengers	112,056	103,901	109,964	122,536	134,354	135,437	(See fiscal year indicators below)			
Golf course										
Rounds played	47,822	50,044	49,706	48,985	45,190	41,329	37,666	35,989	32,768	33,195

**Fiscal Year Indicators**

<b>Function/Department</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/2000</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>Culture and recreation:</b>										
Library										
Registered borrowers	19,424	20,750	20,736	20,722	20,117	19,421	19,779	19,910	20,756	22,298
Circulation	300,072	270,945	246,101	257,540	285,425	291,544	306,950	312,623	331,445	324,179
Art center										
Attendance	8,960	12,907	13,102	13,343	16,067	16,730	16,653	18,451	17,945	18,088
Miles of streets maintained	134	135	135	136	136	136	136	138	139	140
<b>Business-type activities:</b>										
Transit (4)										
Total passengers										
Parking										
Tickets issued	31,250	19,068	24,350	20,997	15,223	20,144	17,708	15,763	14,764	15,598
Refuse collection										
Tons of refuse collected	8,382	8,655	8,825	8,850	8,837	8,906	8,593	8,521	8,888	9,449
Transfer station										
Tons of waste processed	38,131	47,622	62,317	60,869	63,799	48,797	45,911	41,435	44,423	41,356
Tons recycled (contractor)	7,045	6,175	6,185	6,333	6,198	5,741	5,571	4,734	4,854	5,721
Water pollution control										
Cubic feet of wastewater treated (in millions)	149.47	159.05	160.02	147.54	142.55	133.16	192.78	187.47	183.18	173.38

1. The fire department began providing ambulance service effective July 1, 2000.
2. The former Weed Park Pool did not open for the 2003 season due to mechanical problems. The Aquatic Center replaced the former pool and opened for the 2004 season.
3. The decline in adult program participants in 2005 is due to the City no longer organizing the adult softball league. A private organization now coordinates this league.
4. The Transit system reported calendar year indicators through 2001. Indicators thereafter are being maintained on a fiscal year basis.

Source: City of Muscatine records

City of Muscatine, Iowa  
Capital Asset Statistics by Function/Department  
Last Ten Fiscal Years  
(Unaudited)

Function/Department	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	8	8	8	8	8	9	9	9	9	9
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumps	3	3	3	3	3	3	3	3	3	3
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	-	-	-	-	-	-	-	-	-	-
Culture and recreation:										
Library	1	1	1	1	1	1	1	1	1	1
Art center and museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks	18	18	18	18	18	18	18	18	18	18
Park acreage	258	258	258	258	258	258	258	258	246	254
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball and baseball diamonds	22	22	22	22	22	21	20	19	19	20
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	14	11	11	11	11	10	10	10	8	8
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	150	150	150	150	150	150	150	150	150	150
Public works:										
Miles of streets	134	135	135	136	136	136	136	138	139	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	10	10	10	10
Golf course	1	1	1	1	1	1	1	1	1	1
Airport:										
Airport	1	1	1	1	1	1	1	1	1	1
Primary runway length (in feet)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Solid waste:										
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5
Water pollution control:										
Plants	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million

Source: City of Muscatine records

**INFORMATION PROVIDED TO COMPLY WITH  
*GOVERNMENT AUDITING STANDARDS*  
AND  
OMB CIRCULAR A-133**



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Muscatine, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of the City of Muscatine, Iowa, in a separate letter dated September 20, 2006.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Muscatine, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
September 21, 2006



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

Compliance

We have audited the compliance of the City of Muscatine, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Muscatine, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Muscatine, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Eide Sully LLP*

Dubuque, Iowa  
September 21, 2006

**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Public and Indian Housing	14.850	IA04900106D	\$ <u>157,664</u>
Section 8 Housing Choice Vouchers	14.871	IA049VO0048/0053	<u>1,490,949</u>
Public Housing Capital Fund	14.872	IA05-P049-50105	94,294
Public Housing Capital Fund	14.872	IA05-P049-50104	<u>139,763</u>
			<u>234,057</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0846	<u>3,208</u>
Bulletproof Vest Partnership Program	16.607	N/A	<u>594</u>
Public Safety Partnership and Community Policing Grants	16.710	2003-OM-WX-0149	9,360
Public Safety Partnership and Community Policing Grants	16.710	2005-CK-WX-0648	<u>58,350</u>
			<u>67,710</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0013	<u>41,392</u>
Department of Transportation:			
Airport Improvement Program	20.106	3-19-0063-11	6,832
Airport Improvement Program	20.106	3-19-0063-12	<u>192,586</u>
			<u>199,418</u>
Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-08159	<u>143,881</u>
Total Direct			<u>2,338,873</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	06-HSG-037	60
Community Development Block Grants/ State's Program	14.228	03-HSG-082	<u>109,327</u>
			<u>109,387</u>
Department of the Interior:			
Iowa Department of Natural Resources:			
Sportfishing and Boating Safety Act	15.622	FY-02-BIG	<u>100,000</u>

(continued)



**CITY OF MUSCATINE, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of the Interior (continued)			
State Historical Society of Iowa:			
National Register of Historic Places	15.914	2004-05	\$ 125
National Register of Historic Places	15.914	2005-05	<u>11,916</u>
			<u>12,041</u>
Department of Justice:			
Iowa Governor's Alliance on Substance Abuse and Muscatine County:			
Byrne Formula Grant Program	16.579	05-JAG-A02	<u>30,774</u>
Governor's Office of Drug Control Policy:			
Violence Against Women Formula Grants	16.588	VW-06-62	<u>8,250</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-5330(605)- -70-70	377,228
Highway Planning and Construction	20.205	STP-E-5330(608)- -8V-70	<u>162,477</u>
			<u>539,705</u>
Formula Grants for Other Than Urbanized Areas	20.509	TF2006028	58
Formula Grants for Other Than Urbanized Areas	20.509	TF2006050	213
Formula Grants for Other Than Urbanized Areas	20.509	TF2006074	134
Formula Grants for Other Than Urbanized Areas	20.509	TF2006199	255
Formula Grants for Other Than Urbanized Areas	20.509	TF2006198	128
Formula Grants for Other Than Urbanized Areas	20.509	TF2006211	120
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-533-06	313,963
Formula Grants for Other Than Urbanized Areas	20.509	18-4027-533-05	6,920
Formula Grants for Other Than Urbanized Areas	20.509	18-4027-533-06	<u>108,708</u>
			<u>430,499</u>
Job Access – Reverse Commute	20.516	37-X006-533-04	30,000
Job Access – Reverse Commute	20.516	37-X009-533-03	<u>954</u>
			<u>30,954</u>

(continued)

**CITY OF MUSCATINE, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Transportation: (continued)			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-02, Task 20	\$ 12,935
State and Community Highway Safety	20.600	PAP 05-02, Task 20	240
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163, Task 50	<u>14,000</u>
			<u>27,175</u>
Environmental Protection Agency:			
Iowa Department of Public Health and Linn County, Iowa:			
State Indoor Radon Grants	66.032	5886RC02	<u>3,000</u>
Department of Homeland Security:			
Scott County:			
Law Enforcement Terrorism Prevention Program	97.074	FY2004-LETPP-LEIN-06	<u>75,265</u>
Office of National Drug Control Policy:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	N/A	14 PMWP562	8,103
High Intensity Drug Trafficking Area Grant	N/A	15 PMWP556	37,873
High Intensity Drug Trafficking Area Grant	N/A	16 PMWP556	<u>33,176</u>
			<u>79,152</u>
Total Indirect			<u>1,446,202</u>
Total			<u>\$ 3,785,075</u>

N/A = Not Available

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF MUSCATINE, IOWA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2006**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Muscatine, Iowa, and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Muscatine, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Public Safety Partnership and Community Policing Grants (COPS)	16.710	\$ 58,350
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 11,008

**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2006**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
  - CFDA Number 20.205 – Highway Planning and Construction
  - CFDA Number 20.509 – Formula Grants for Other Than Urbanized Areas
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Muscatine, Iowa, qualified as a low-risk auditee.

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amount budgeted for any function prior to the budget being amended or at year end.
- II-B-06 Questionable Disbursements – We noted no disbursements that we believe might fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Vonda Ludke, part-time Housing Office Coordinator, husband owns Spectrum Personnel, Ltd.	Temporary employment services	\$ 151,394
Eric Hutmacher, owner of Hutmacher's Nuisance Service	Animal removal services	\$ 305
Cindy Carver, Art Center, husband owns Carver Construction Co.	Housing rehab program, per bid	\$ 54,747

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Hutmacher's Nuisance Service do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with Carver Construction Co. do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. Prior to March 29, 2006, the transactions with Spectrum Personnel, Ltd. may represent a conflict of interest since they were not entered into through competitive bidding. A bid was accepted for Spectrum Personnel, Ltd. on March 29, 2006, so transactions after that date do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

Response – The City had previously bid temporary employment services, however, the term of the agreement with Spectrum Personnel, Ltd. had expired. The City will monitor the expiration date of the current temporary services arrangement and complete another bidding process at that time.

Conclusion – Response accepted.

- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-06 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-06 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.